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No. 545

OCTOBER TERM, 1963

In the Supreme Court of the United States

PACIFIC SUPPLY COOPERATIVE, an Oregon Cooperative Corporation,

Petitioner,

v.

FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, a Minnesota Corporation and NATIONAL COOPERATIVES, INC., a District of Columbia Corporation,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Petitioner, Pacific Supply Cooperative, prays that a writ of certiorari issue to review the judgment of the Court of Appeals for the Ninth Circuit as entered in the above-entitled cause on June 3, 1963.

OPINIONS BELOW

The opinion of the Court of Appeals for the Ninth Circuit is reported in 318 F.2d (Adv.) 894, and is set

forth in Appendix A hereof at page A-1. The opinion of the District Court is not reported. However, the District Court's oral decisions, judgments and orders are set forth in Appendix B hereof at page B-1.

JURISDICTION

The judgment of the Court of Appeals for the Ninth Circuit was entered June 3, 1963 (R. Vol. 12, p. 9). Petition for rehearing filed July 2, 1963 was denied July 16, 1963 (R. Vol. 12, p. 11). The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

QUESTIONS INVOLVED

1. Whether petitioner as plaintiff in a complicated trademark infringement and unfair trading case was denied due process of law as guaranteed by the Fifth Amendment when the Court of Appeals affirmed the District Court's partial summary judgment of dismissal (under old Rule 56) where there existed a genuine issue of fact as to whether plaintiff had an exclusive right or license within a particular trade area to use the involved trademarks, and where partial summary judgment was rendered during but before completion of pre-trial proceedings conducted under the Handbook Procedure (25 F.R.D. 351); plaintiff having been denied needed discovery as well as right to complete its presentation of evidence at hand.

2. Whether the Lanham Trademark Act (15 U.S.C. § 1051, et seq.) or, in particular, its "incontestable" clause

(15 U.S.C. § 1065) required the Court of Appeals to affirm the District Court's partial summary judgment of dismissal of petitioner's trademark infringement and unfair trading action as a matter of law, where it appeared without dispute that plaintiff cooperative was "a related company", within the Act, to the holder of trademark registrations, collective and ordinary, held by such registrant for the benefit of plaintiff and other related companies, when the registrant cooperative had no right to compete with the plaintiff related company and the plaintiff was merely claiming its right as a related company to the exclusive use of the marks within the particular trade area in which it had exclusively used such marks both before and after the effective date of the Lanham Act and registration of the marks pursuant to the Act, either as beneficial and equitable owner of the marks or as an exclusive licensee.

3. Whether petitioner as plaintiff was further denied due process of law and whether the spirit of the Federal Rules of Civil Procedure was violated when the Court of Appeals affirmed the District Court's order dismissing plaintiff's third party complaint under Rule 41(b) because it regarded it as inadequate and not capable of being amended to state valid claims, though plaintiff timely moved for leave to amend during pre-trial conducted under the Handbook Procedure where discovery had been stayed and plaintiff had not completed presentation of its evidence.

CONSTITUTION, STATUTES AND RULES INVOLVED

Fifth Amendment, U. S. Constitution p. C-1
Lanham Trademark Act of July 5, 1946, c. 540,
Title I, § 1, 60 Stat. 427, et seq. (15 U.S.C. 1051 et seq.) p. C-1
Section 4 (15 U.S.C. § 1054) — Collective marks p. C-1
Section 5 (15 U.S.C. § 1055)—Related companies p. C-1
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STATEMENT OF THE CASE

Petitioner, Pacific Supply Cooperative, an Oregon farmers cooperative ("Pacific"), sued respondent, Farmers Union Central Exchange, Inc., a Minnesota cooperative ("FUCE"), and later impleaded as third-party de-

fendant, respondent National Cooperatives, Inc., a District of Columbia cooperative ("National") in the District Court for the Eastern District of Washington, seeking injunctive relief and damages for alleged unfair trading and trademark infringement as well as for the inducing to breach and interfere with petitioner's membership contracts (R. 1-72; 193-200; 459-546). District Court jurisdiction was based upon both diversity of citizenship (28 U.S.C. 1332) and § 39 of the Lanham Trademark Act (15 (U.S.C. 1121).

Petitioner, Pacific, with its principal office now in Portland, Oregon, is a regional wholesale cooperative organized under Oregon law in 1934. Its original twelve farmer cooperative members increased to 120 by 1954. All but a few were situated in Oregon, Washington and Idaho. Its local cooperative members in turn serve an estimated 50,000 farm families with trademarked goods (R. 283-286, 9017).

Respondent FUCE, with its principal office in South St. Paul, Minnesota, is likewise a regional wholesale cooperative, having as members local farmer cooperatives throughout Wisconsin, Minnesota, North Dakota, South Dakota, Montana, Wyoming and (after raiding Pacific) sparcely in Idaho, Washington and Oregon. These local cooperatives serve at least 250,000 farmers (R. 1455; 9018, 9019). Commencing in 1933, FUCE recognized its trading area as territory east of Pacific's trading area (R. 797, 985-1068).

Respondent National is different. It was organized in 1933 under the cooperative laws of Indiana as a "na-

tional" cooperative having as its members only "regional" cooperatives, such as Pacific and FUCE. It serves as a central purchasing agent for its regional members (R. 1708, 986, 7979). FUCE was already a member of National when Pacific became a member in 1934. Later, in 1944, the District of Columbia cooperative under the same name succeeded to all assets and liabilities of the Indiana cooperative so both are referred to herein as National (R. 769, 5, 9016). National now has as members 26 regional cooperatives, including Pacific and FUCE.

National's internal structure. The only equality of membership in National among its 26 regional cooperative members is uniformity of inequality. With the single exception of a milking machine, all manufacturers of trademarked goods deal directly with and bill the regionals (R. 768, 1023). Goods sold are warranted by the regionals, not by National (R. 1023). Product liability insurance is carried by the regionals and not by National (R. 768). National's losses and in some cases undercharges have been prorated among the regionals in proportion to their respective patronage (R. 809, 839). Voting and the number of directors upon National's board is in the main determined by the patronage of the respective regionals. FUCE, being the largest regional, dominates National. Regionals upon becoming members have been required to file maps with National showing their respective trade territories (FUCE maps—R. 755, 760, 1087; Pacific maps—R. 1088, 1098). There is no overlapping of trade territory (R. 7682, 1087). In all instances, and in particular as to Pacific, the financing,

advertising and promotion of trademarked goods have been undertaken by each regional member and limited exclusively to its own trade territory (R. 296, 841, 1009, 1024). National does not compete in any respect with any of its regional members (R. 9494, 9478, 9450).

Trademarks. Previous to the organization of National, the Consumers Cooperative Association ("CCA") and Midland Cooperative Wholesale ("Midland") owned the trademark registration of CO-OP (on petroleum, tires, tubes, and batteries only) but used such only in their own respective trade areas (R. 398, 933, 745, 2105, 2818-2917). These regional cooperatives were included in the founders of National. In 1934 the regional members of National negotiated a plan for National to acquire the trademarks of CO-OP from CCA and Midland, as well as other trademarks, for use of the regional members in their respective trade areas. It was contemplated that National as the instrument of its regional members would register the CO-OP marks and other marks for the sole benefit of the regional members in their respective trade areas (R. 1048). Though earlier promised, both CCA and Midland in 1940 and 1943 recorded in the United States Patent Office their assignment to National of trademarks CO-OP. Ultimately, the regional cooperative members of National caused National as their business creature to register for their benefit numerous trademarks upon 42 classes of goods. The essential feature of these marks was CO-OP. These trademarks were both "ordinary" marks (15 U.S.C. § 1052) and "collective" marks (15 U.S.C. § 1054) (R. 919-934). Some marks were regis-

tered prior to the effective date of the Lanham Trademark Act (July 5, 1947) and some after (R. 7223-7309). However, there were no "collective" mark registrations in the name of National until April 8, 1941 and October 10, 1950 (R. 920, 922, 925).

Trademark infringement and unfair trading by FUCE began in late 1954 when through price concessions and unfair competitive practices, involving use of trademarked goods, it persuaded (R. 645, 651, 1131) two of Pacific's farmer cooperative members at Sandpoint and Coeur d'Alene, Idaho to breach their contracts with Pacific and purchase their needs through FUCE (R. 383, 1066-1067, 1155, 1133). For the next two years FUCE, although refusing to sell its surplus petroleum to Pacific, offered the same to its competitor, Grange Cooperative Wholesale in Pacific's trade area and under the symbol CO-OP (R. 1054-1057, 1140, 1153). In September of 1955 FUCE took away one of Pacific's member cooperatives at Wenatchee, Washington (R. 299, 1170). On January 1, 1957, FUCE employed Pacific's field representative Johnson, of Seattle, Washington, who had been with Pacific for eighteen years and who had negotiated many of Pacific's membership agreements (R. 656, 740, 1458, 1168). Thereafter, FUCE seized the business of seven other Washington members of Pacific (R. 1166, 673-676), and in 1958 another cooperative member (R. 1139, 1171, 1175). In 1958, FUCE dumped into Washington approximately $100,000 of "National" CO-OP goods, aside from millions of gallons of petroleum it sold there under the CO-OP label (R. 872, 891). In 1959, FUCE entered Oregon by inducing one of Pacific's members to pur-

chase trademarked goods from it instead of from Pacific (R. 1140, 75-88). All except one of FUCE's patrons in Pacific's trade area are former members of Pacific. The exception is the Grange unit in Spokane, Washington, a competitor of Pacific's members and who, through FUCE, is flooding the market with CO-OP and other trademarked goods. Thus, FUCE, a partner of Pacific in the National joint cooperative venture, is seeking to capture Pacific's business by infringement, misuse of the trademarks and trade names, and other illegal tactics (R. 1108, 1174).

The Miscarriage of Justice

After Pacific's action was at issue with FUCE, the District Court ordered pretrial proceedings to be conducted under the Handbook of Recommended Procedures, 25 F.R.D. 351 (R. 570). Shortly thereafter, it stayed all discovery proceedings pending the defining of issues (R. 571, 8999, 9229-9230). Early in the proceedings, the District Court denied FUCE's motion for partial summary judgment on the trademark issues (R. 452, 455) upon the ground that there existed a genuine issue of material fact as to Pacific's right to exclusive use of trademarks within its territory (R. 453-454, 8974, 9494). At that time, National was brought into the case as an indispensable third-party defendant. With both National and FUCE in the case, further pretrial hearings were had, resulting in the Court, with approval of all, defining the relevant issue in April of 1961 as being:

"1. The question of the right of Pacific to the

exclusive use of the trademarks and trade names in the Pacific Northwest area as claimed by Pacific, which rights are claimed to have been acquired from National or otherwise acquired". (R. 9082)

Thereafter, with discovery still stayed, the parties in further pretrial hearings undertook to voluntarily produce documents and to stipulate to facts for the purpose of formulating a pretrial order upon the principal issue of "exclusiveness". During these hearings, both FUCE and National obtained desired stipulations from Pacific (R. 1451-1460) with the understanding that such were to be considered only tentative until all stipulations were incorporated into a final pretrial order. (R. 9210-9214). After Pacific, in the spirit of cooperation, was wrung dry of stipulations, FUCE and National refused to stipulate to further facts upon their part (R. 9140-9142, 9240); even to the extent of refusing to admit the authenticity of their own documents which Pacific sought to have admitted into evidence (R. 1069-1179, 1199-1217, 1222-1235, 1240-1241). During these series of pretrial hearings and before a pretrial order could be completed (R. 1451-1460), FUCE and National were permitted by the Court to abandon the pretrial undertaking and to interpose motions for dismissal (R. 1184-94, 1236-1239). These motions were made over the objection of Pacific (R. 1195).

Thus, on August 25, 1961, under old Rule 56 as to FUCE and Rule 41 (b) as to National and upon untimely and inappropriate motions to which Pacific duly objected (R. 1195), the District Court granted partial summary judgment dismissing Pacific's case against

FUCE upon the trademark—"exclusive use" issue, and dismissed *in toto* Pacific's third-party complaint against National (R. 1246). The dismissal of the complaint against National was based upon the Court's view that the third-party complaint failed to state any cause of action against National and could not and should not be permitted to be amended; even though earlier, on July 7, 1961, Pacific had moved to amend its third-party complaint and such motion was denied with the Court stating that "any material issue not covered can be covered in pretrial order . . ." (R. 1278). The case then was set for trial on all issues for October 30, 1961.

The District Court based the granting of partial summary judgment in favor of FUCE upon two grounds:

(1) The bylaws of National constituted a written contract which granted a nonexclusive license to Pacific to use the trademarks owned, registered and controlled by National and that this contract precluded any showing by Pacific that either it was an equitable owner or an exclusive licensee of the trademarks; and

(2) That the Lanham Trademark Act (15 U.S.C. § 1501 et seq.) barred Pacific as a "related company" under the Act (15 U.S.C. § 1055) from claiming a right to exclusive use because in so doing it would be contesting the trademarks as registered and held by National in contravention of the Act's "incontestable" clause (15 U.S.C. § 1065).

The bylaws of National which the District Court found as a matter of law established such contractual

rights as to bar Pacific's claim of right to exclusive use of the trademarks in its own trade territory were:

(a) In 1935 the regional members adopted for National the following bylaw X:

> "Section 2. The name of the district wholesale may appear conspicuously on the border of the trade mark when used in connection with petroleum products sold in the territory covered by each regional wholesale, except the name of the district wholesale shall appear in connection with trademark in all competing territory."
>
> "Section 3. All members of the National Cooperatives, Inc. refrain from soliciting in any manner accounts doing business with another member of the National Cooperatives, Inc. or companies in process of organization by a member of the National Cooperatives, Inc. within the boundaries recognized by the National, as the territory of such members." (R. 750).

(b) On December 20, 1944, National eliminated the above bylaw X and substituted the following bylaw VIII:

> "Section 1. Use by members. The name of a district wholesale may appear conspicuously on the border of the trademark when used in connection with petroleum products sold in the territory covered by each regional member, and shall appear where the trademark is used in competing territory." (R. 769).

(c) On September 8, 1946, National again changed the bylaws by eliminating the above bylaw VIII and substituting therefor a new bylaw IX reading:

> "Section 1. Trade Mark. If a member individually uses the trade mark Co-op, it shall use its own corporate name conspicuously in connection there-

with. The name 'National Cooperatives, Inc.' in connection with the trade mark Co-op may be used only on those products distributed by this association directly or against a contract negotiated by this association." (R. 770).

The District Court, as well as the Court of Appeals in affirming the judgment of the District Court, violated the Fifth Amendment to the United States Constitution as well as old Rule 56 of Federal Rules of Civil Procedure by denying Pacific a trial on the genuine issue of fact as to whether Pacific had an equitable right to exclusive use of the trademark CO-OP and other trademarks or was an exclusive licensee of National because:

(1) The above-quoted bylaws, each made at a different period of time, do not purport to grant any kind of license to Pacific and are highly ambiguous, if not meaningless, on the issue of "exclusive" use until considered along with all of the other evidence which could have been offered upon a trial, including testimony of officers and directors of National (whose depositions were sought by Pacific and stayed by the Court) as to purpose and application of such bylaws.

(2) Any implication or inference that once-existing exclusiveness was eliminated by repeal of the 1935 Bylaw X certainly posed a genuine issue of fact in view of the following evidence offered by petitioner in opposition to the untimely motion for summary judgment:

(a) Pacific's letter of August 10, 1953 to National stating: "At that time (April 14, 1941) you gave an exclusive license to Pacific to use your brands and labels in this area . . ." (R. 339) and

National's written reply of November 11, 1953 reading (Ex. 9, R. 1707):

> "There is no question that Pacific Supply is exclusive licensee for CO-OP trademark in the northwest territory, although the term licensee is not the correct one to use. CO-OP has been registered as a collective mark under the trademark law and a collective mark is owned by the registrar and the associations that are members of the registrar. . . ."

(b) The fact that, unlike an ordinary corporation, cooperative corporations customarily have a membership, financial and patronage relationship which is different and varied in at least two of the three respects as to each and every member.[1]

(c) Conduct of the regional members and National itself over the past 20 years in accepting members only when trade areas of each do not overlap (R. 760, 1048, 997, 1,000—Caldwell; 768—Utah; 771—Grange Wholesale.

(d) National in 1940 reporting to its members that its Board of Directors had resolved that its members are authorized to use the trademarks in certain definite territories and that National will undertake to prevent anyone else, members or non-members from using them in that territory (R. 997-1,000).

(e) Officers of National on its behalf in litigation in 1940 stating under oath by affidavit that Pacific had exclusive right to use the trademark CO-OP within its own territory (R. 306-308, 997, 1084). Also, many statements by a variety of officers of National during 1953 (Ex. 8, R. 1706, 350-352, Ex. 9, R. 1707, R. 350); during 1960 (R. 1086-1087); and during 1961 (R. 1163), to the effect that Pacific had the exclusive right to use National's trademarks.

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[1] Charles Nieman, "Multiple Contractual Aspects of Cooperatives' By-Laws", 39 Minnesota Law Rev. 135, 138 (1955).

including CO-OP, within its own Pacific Northwest territory (R. 772). National advertising in 1953 that it and its member cooperative were "joint owners" of CO-OP (R. 1708).

(f) Pacific setting forth in its membership agreements with its own members, consistently since March 4, 1941, that it had the exclusive right to the use of the trademark CO-OP in its area (R. 52) with the presumed acquiescence of National ever since March 8, 1941 (R. 306, 1119, 9640).

(g) FUCE itself, as early as 1934 describing its own trading area as being east of Pacific's (R. 797, 985-1068), and even as late as 1955 by its own corporate resolution taking the position (same as Pacific) that FUCE and not National had the superior right to the trademark CO-OP held by National as registrant (R. 776, 812, 1056).

(h) Two affidavits of Mr. Baker, officer of National as well as Pacific, in opposition to the earlier motion of FUCE for summary judgment, which motion the Court had denied before later granting it (R. 306, 322, 402).

The foregoing and other evidence of record clearly raised genuine issues of fact, if the bylaws were crystal clear on the point (and they were not), that Pacific either had vested contractual rights which could not be abrogated by subsequent change in National's bylaws or that National in spite of such bylaws, over a long period of time, either ignored, abandoned or waived same in its cooperative relationship with its members on the issue of "exclusive use" of trademarks held by it for their benefit.

REASONS FOR GRANTING A WRIT

Supervision required—partial summary judgment affirmed despite existence of genuine issue of fact

Even a cursory examination of the facts in this case should indicate that Pacffic's claim to exclusive use of trademarks which reposed in another cooperative, National, for registration purposes only and for benefit of Pacific and others could not be disposed of as a matter of law by the courts below reading National's three varied and far from conclusive by-laws. For this reason the granting of a partial summary judgment dismissing Pacific's action upon the critical issue of exclusiveness, clearly demonstrates that the District Court departed so far from the accepted and usual course of judicial proceedings and that the Court of Appeals in turn sanctioned such departure that this Court, in order to prevent a misccarriage of justice and give effect to the Fifth Amendment of the United States Constitution, should exercise its supervisory power and duty by granting certiorari and summarily or otherwise reverse the judgments of the courts below.

Here, the District Court well understood, but chose not to apply, the accepted limitation on the power to grant summary judgment. This is evidenced from its earlier denial of the same partial summary judgment it later granted (R. 453-454, 8974) and its citing of the trademark case of *Lane Bryant, Inc.* v. *Maternity Lane* (9 Cir., 1949) 173 F.2d 559 as authority for so doing (R. 8975).

Here, there was no justification for the Court of Appeals in not applying the rule that in a case of this nature the existence or legality of territorial and customer limitations should be determined only after a trial, in view of this Court's decision less than three months before in *White Motor Co.* v. *United States* (March 4, 1963) 372 U.S. 253; not to mention *Poller* v. *Columbia Broadcasting System, Inc.* (1962) 368 U.S. 464; *United States* v. *Diebold, Inc.* (1962) 369 U.S. 654, and this Court's reversal of the same Court of Appeals only the year before in *Continental Ore Co.* v. *Union Carbide* (1962) 370 U.S. 690.

At bar was the genuine issue of fact as to whether National, the defendant which held title to the trademarks in question for the benefit of Pacific and others, had by a course of conduct over a 20-year period impliedly-in-fact, if not expressly, agreed that petitioner had an exclusive right to use the trademarks in the Pacific Northwest. Pacific had a right to have that issue tried. While the Court of Appeals by its holding denied petitioner its right to a trial, it nevertheless unwittingly recognized the existence of this key issue of fact by stating in its opinion (App. A-33):

> "Thus, while it must be admitted that Pacific *claimed* an exclusive right to use the trademarks, primarily through its officer, Baker, down through the years—that right was never recognized by any consistent course of conduct between the parties to this litigation . . ."

In spite of the fact that the pretrial order was never completed or full discovery permitted (R. 9229, 9097,

9117, 9121), petitioner had nevertheless presented cogent evidence in support of its claim that National *by a consistent course of conduct* had recognized Pacific's claim to exclusive use of trademarks in its Pacific Northwest territory.

The exchange of letters wherein Pacific claimed right to the exclusive use of the trademark "CO-OP" in 1953 for as far back as 1941 and National on November 11, 1953 replied as follows (Ex. 9, R. 1707):

> "There is no question that Pacific Supply is exclusive licensee for CO-OP trademark in the northwest territory, although the term licensee is not the correct one to use. CO-OP has been registered as a collective mark under the trademark law and a collective mark is owned by the registrar and the associations that are members of the registrar . . ."

is sufficient in itself to raise a genuine issue of fact over not only what the National bylaws intended but whether National's recognition of Pacific's right to exclusive use was based upon an exclusive license or equitable ownership—exactly as claimed by Pacific in this case from the very beginning. As a matter of law, Pacific was entitled to go to trial on issues of fact raised by all of the evidence offered in the case as more fully set forth in Pacific's Statement of the Case at page 13 of this petition. The fact that FUCE, by a corporate resolution in 1955—nine years after the last Bylaw IX was enacted by National—took much the same position as does Pacific in this case as to superior rights over National as to trademarks (R. 776, 812) created a serious question of fact

for trial determination as to whether FUCE could in good faith assert a different position in this litigation.

In short, both of the courts below became so enamoured with the idea that this complicated trademark infringement and unfair trading case with its protracted pretrial hearings could be summarily disposed of by Nationals' bylaws to the exclusion of all else that their eyes were closed to the many existing issues of fact which at least the District Court earlier had readily recognized. Exclusive rights may contractually arise through other than an express agreement. *Rudd-Melikian* v. *Merritt* (6 Cir. 1960) 282 F.2d 924.

Only by a trial on the merits could the true intent of National and the purpose of such bylaw changes be determined. *Huber Baking Company* v. *Stroehmann Bros. Company*, (2 Cir. 1958) 252 F.2d 945. This is particularly true where we see that the 1935 bylaw speaks of non-solicitation of accounts of other members; the 1944 bylaw speaks only of petroleum products and unspecified "competing territory"; and the 1946 bylaw speaks of neither petroleum products nor competing territory nor non-solicitation of accounts of other members, but only of the CO-OP trademark. Since Pacific was deprived of a trial, the Courts below were required to indulge in all reasonable inferences in favor of Pacific from the language employed in the bylaws. *United States* v. *Diebold, Inc.* (1962) 369 U.S. 654. They did not. One reasonable inference to which Pacific is clearly entitled from a reading of the bylaws is that their intent and purpose at no time were to deprive any regional

member of the exclusive use to trademarks within its own trading area, where each over the years spent their own money and effort to promote without aid or interference from other members. Also that reference to "competing territory" in the 1944 bylaw was only to a minor competitive situation which historically existed in the midwest but nowhere else.

In summarily granting a partial summary judgment, the Courts below ignored what much of Pacific's tendered evidence pointed to: (1) vested rights for exclusive use by conduct and contract which no subsequent bylaw could validly erase, *Farrier* v. *Ritzville Warehouse Co.*, (1921) 116 Wn. 522, 199 Pac. 984; *Whitney* v. *Farmers Cooperative Grain Co.* (Neb., 1923) 193 N.W. 103; and (2) waiver or abandonment of such bylaw, if applicable, by National's conduct over the years, *Bay City Lumber Co.* v. *Anderson* (1941) 8 Wn. 2d 191, 111 P.2d 771; and (3) National and FUCE getting a "free ride" on Pacific's good will and exclusive use of CO-OP contra to *International News Service* v. *Associated Press* (1918) 248 U.S. 215. These were pure questions of fact on which Pacific was entitled to a trial.

Certainly, the Court of Appeals was well aware of the danger of summarily deciding this case on tentative stipulations of fact where there was enough chance for error upon a trial after the facts were fully developed: *Bank of America* v. *United States* (9 Cir., May 24, 1963), 317 F.2d 859. In fact, as the Court of Appeals had reason to expect it did make an error of fact in its opinion at page A-23 when it accepted stipulated volume

figures of FUCE's early alleged sales in Pacific's territory (R. 869-910) without regard for the fact that such sales figures were based upon sales made under prior contractual arrangements with Pacific on non-trademarked petroleum and, therefore, could hardly be of probative value for the purpose of showing prior competition (R. 318, 1010, 284, 288, 299, 404): *Automotive Devices Co.* v. *Automotive Devices Co. of Penn.* (3 Cir., 1961) 292 F.2d 663.

The time is particularly appropriate for this Court to exercise its power and duty of supervision over the Court of Appeals, because only nine months previously it had reversed Judge Lindberg of the Western District of Washington in *Osborne* v. *Boeing Airplane Company* (9 Cir., 1962) 309 F.2d 99, for doing exactly what it affirmed Judge Powell in the Eastern District of Washington for doing in the case at bar. In the *Osborne* case, Judge Lindberg was reversed because he granted a summary judgment on the basis of a subsequent writing from Boeing Airplane Company which he believed foreclosed an employee of Boeing from founding his claim upon an unwritten implied-in-fact contract earlier created. Here, the Court of Appeals affirmed Judge Powell for doing virtually the same thing. The fact that an employee was the plaintiff in the *Osborne* case and a cooperative-shareholder member was plaintiff in the second case is but a difference without any distinction in principle.

Holding of this Court of Appeals is in conflict with holding in Second Circuit Court of Appeals

A further cogent reason for granting a writ lies in the Court of Appeal's holding that the by-laws of National, registrant of the collective trademark CO-OP were not ambiguous and that they conclusively established, to the exclusion of all else, that Pacific, a related company could not claim as an exclusive licensee a right to exclusive use of CO-OP in its own trade territory. Such holding is in direct conflict with the holding of the Court of Appeals for the Second Circuit in *Huber Baking Company* v. *Stroehmann Bros. Company* (2 Cir., 1958) 252 F.2d 945 which had reversed the District Court for the Southern District of New York for dismissing (after a trial) a case such as here at bar. In that case the District Court had erroneously held that a written membership contract which did not contain an exclusive license conclusively disposed of the case without regard to consideration of the prior dealings and relationship of the parties.

The factual distinctions which the Court of Appeals made between this case and *Huber* are of questionable validity because: (1) Pacific was denied its right to trial wherein it could have proven facts which not only explained the true intent of the ambiguous by-laws but which also showed that the registrant, National by its conduct over a long period of time had recognized Pacific's right to exclusive use of CO-OP in its own trade area, and (2) that an implied-in-fact contract once established has the same dignity and validity as a written contract, *Hill* v. *Waxberg* (9 Cir., 1956) 237 F.2d 936.

The Lanham Trademark Act's "incontestable" Section 15 was not applicable to bar claims of "related companies" within the corporate complex

This Court should grant a writ because the Courts below grossly mis-interpreted and mis-applied the so-called "incontestable" clause of Section 15 of the Lanham Trademark Act (15 U.S.C. 1065) which paraphrased) reads:

> ". . . the right of the registrant to use such registered mark in commerce . . . shall be incontestable . . ."

when the Courts below held that such barred Pacific, as a related company under the Act from claiming in the District Court a right as an equitable owner or an exclusive licensee to the exclusive use of trademarks within its own recognized trade area as against FUCE, another related company and against National, the registrant of the marks, both ordinary and collective.

A consideration of the Lanham Trademark Act as a whole should clearly show that the "incontestable" Section 15 was intended as a defense by a registrant of a trademark to an attack made by a stranger or third person; not a claim of an equitable or a contractual right by a related company within the corporate complex. This is evident from a mere reading of the four "Provisos" set forth in Section 15.

The fact that neither of the defendants raised Section 15 as a defense in *Huber Baking Company* v. *Stroehmann Bros. Company* (2 Cir., 1958) 252 F.2d 945 where one related company as plaintiff brought a suit as here

against another related company and the registrant co-operative as defendant's at least suggests a lack of a color of merit to the holding of the Courts below in this regard.

One Court touched on the point. In *Taussig* v. *Wellington Fund, Inc.* (Del., 1960) 187 F. Supp. 179 the court, disposing of a defendants' contention described as the "related company doctrine" stated at page 215:

> (The related company doctrine) ". . . is not designed to lessen or diminish rights of any member of the corporate complex inter se, but is for the purpose of insulating products bearing similar or identical trade names or trade marks of closely associated companies from attacks by strangers. It would be a frustration of the concept to hold that a corporation may invoke the principle to limit the rights of a purported sister corporation. The doctrine has no application."

This last cited case was affirmed in 313 F.2d 472 (1963) and petition for writ of certiorari is presently pending before this Court.

Aside from the non-applicability of the "incontestable" Section 15 to the case at bar is, the fact that Pacific claimed it and its predecessor local cooperatives had in good faith used the trademarks, including CO-OP in its own trade territory ever since 1933 which was several years prior to when National commenced business, prior to the 1946 Lanham Trademark Act and about seven or more years before National registered CO-OP as a collective trademark. The Courts below in perfunctorily treating and erroneously applying the "incontestable" Section 15 as a reason at law for granting partial summary judgment completely ignored the applicability

of Section 49 of the Act (set forth in note under 15 U.S.C. 1051) which reads:

> "Nothing herein shall adversely effect the rights or the enforcement of rights in marks acquired in good faith prior to the effective date of this Act."

Even if the "incontestable" Section 15 of the Lanham Trademark Act was applicable to the case at bar (and it is not) its application would be depriving Pacific of due process of law. *Casper W. Ooms and George E. Frost, "Incontestability"* (1948) 14 Law and Contemporary Problems 220.

Business demands of the nation require this Court to clarify the rights and status of a "related company" as to a registrant of a "collective" mark under the Lanham Trademark Act

It is highly important to the business community of the Nation that this Court grant a writ to put to rest the uncertainty of the rights of a "related company" under the Lanham Trademark Act (15 U.S.C. 1055) in respect to a "collective" trademark (15 U.S.C. 1054) which is held by a registrant, who, under the Act, cannot use such "collective" mark for itself but must hold it for the benefit of its "related companies" under some kind of a contractual relationship. This Court's guidance at this time is particularly required because it is Federal and not State decisional law which controls not only the trademark feature of the "collective" trademark but also the necessary contractual relationship between registrant and related companies. *Huber Baking Company v. Stroehmann Bros. Company* (2 Cir., 1958) 252 F.2d 945 at 952.

It is likewise most probable that most, if not all, of the business firms and cooperatives throughout the Nation who are at all concerned with collective trademarks share the same confusion as to basis of a related company's status as did National in this case when in 1953 it wrote to Pacific stating:

> "There is no question that Pacific Supply is exclusive licensee for CO-OP trademark in the northwest territory, although the term licensee is not the correct one to use. CO-OP has been registered as a collective mark under the trademark law and *a collective mark is owned by the registrar and the associations that are members of the registrar*. . ." (R. 1707) (Italics ours)

Reason for this confusion no doubt lies partly in the fact that under the common law as to ordinary trademarks it is the use and affixation of the mark to goods and not registration which gives the substantive right to a trademark. On the other hand the Lanham Trademark Act created the novel "collective" trademark concept and placed ownership in a registrant who was naked as to "user" and then provided that use by a related company would inure to the registrant (15 U.S.C. 1055). Where and how do related companies who use a "collective" trademark come about any rights where contractual relations are ambiguous or absent? Can a "related company" as an equitable owner claim exclusive use as against a registrant who holds a collective mark for the related company's benefit? *National Cooperatives, Inc.* v. *Petroleum Co-op System* (Ind., 1958) 168 F. F. Supp. 259; *Browne-Vintners Co.* v. *National D & C Corp.* (SDNY, 1957) 151 F. Supp. 595. Is there a trust re-

lationship? This case is ripe for this Court to answer these important and fundamental questions. Answers would clear the air for business throughout our great country. Nor would it be inappropriate to grant a writ in this trademark case considering the scanty attention which this Court has given to the Lanham Trademark Act since its enactment 17 years ago.

Petitioner was denied due process when third party complaint was dismissed without leave to amend and before Petitioner had completed its presentation of evidence

Still a further reason for a writ lies in the procedural error of the District Court upon denying Pacific its right to amend its third party complaint brought against National when timely made (R. 1278) and thereafter summarily dismissing the complaint against National under FRCP Rule 41(b).

Pacific sought to show that National aided and abetted FUCE in its pirating of Pacific's farmer cooperative members within the Pacific Northwest. A cause of action could have been stated by showing as claimed by Pacific that National was but a "tool" or agent for all of its members and in the sense of being a trustee owed a duty not to take sides in litigation between two of its 26 members (R. 7979). National had admitted it had no right to compete with Pacific in the handling of trademarked goods (R. 9494). The District Court recognized National's lack of "neutrality when it permitted Pacific to strike such an allegation from the third party complaint before refusing further amendment and then dismissing it (R. 9282, 9077).

In any event, it was denial of due process and contrary to established procedure for the District Court to have not allowed Pacific to amend its third party complaint and then summarily dismiss the unamended third party complaint before pre-trial had been completed and before Pacific was given full opportunity to present all of its available evidence or fully complete discovery which had been frustrated by the Court's stay of discovery while proceeding under the Handbook Rules. Nor was failure to specify claims against National sufficient reason to dismiss third party complaint. *Conley* v. *Gibson* (1957) 355 U.S. 41; *Foman* v. *Davis*, (1962) 371 U.S. 178.

CONCLUSION

For the foregoing reasons, a writ of certiorari to review the judgment of the Court of Appeals for the Ninth Circuit should be granted and the judgment reversed.

Respectfully submitted,

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EXHIBIT A

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PACIFIC SUPPLY COOPERATIVE, an Oregon Cooperative Corporation, *Appellant*, vs. FARMERS UNION CENTRAL EXCHANGE INCORPORATED, a Minnesota Corporation, and NATIONAL COOPERATIVES, INC., a District of Columbia Corporation, *Appellees*.	No. 17,967 June 3, 1963

Appeal from the United States District Court for the Eastern District of Washington, Southern Division

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Before: BARNES, Circuit Judge: MADDEN, Judge, United States Court of Claims: and DUNIWAY, Circuit Judge

BARNES, Circuit Judge:

This is a trademark infringement and unfair trading case, involving as well alleged inducement to breach, and interference with, plaintiff-appellant's contractual relations with its affiliated local member cooperatives, and with third party defendant, National Cooperatives, Inc.

The party plaintiff, Pacific Supply Cooperative, the defendant, Farmers Union Central Exchange, Inc., and

the third party defendant, National Cooperatives, Inc., are all nonprofit cooperative corporations. They will be hereinafter referred to respectively as "Pacific", "FUCE", and "National". Pacific is the appellant; both FUCE and National are appellees.

Pacific, FUCE and National are organized under the laws of Oregon, Minnesota and the District of Columbia, respectively, with principal places of business at Walla Walla, Washington; South St. Paul, Minnesota; and Albert Lea, Minnesota.

This is an interlocutory appeal, under Rule 54(b) of the Federal Rules of Civil Procedure, from a judgment of dismissal of all claims against appellee National and the claims arising from the trademark issue, and the related issues of pendent unfair competition, raised against appellee FUCE, preserving the action against FUCE on other issues. The express determination by the trial court, required by Rule 54(b), was made and, as well, that there was no genuine issue of fact as to any matter covered by the judgment.

Jurisdiction rests not only upon diversity (28 U.S.C. § 1332), and the federal statutes relating to trademarks and unfair competition (28 U.S.C. § 1338), but, as appellant states, is generally founded upon the Trademark Act of July 5, 1946 (the Lanham Act)[1] "and spe-

[1] "1121. *Same; jurisdiction of Federal courts*

The district and territorial courts of the United States shall have original jurisdiction, the circuit courts of appeal of the United States and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction, of all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties."

cifically on Section 39 of that Act [15 U.S.C. § 1121]." Jurisdiction on this appeal rests on 15 U.S.C. § 1121 and 28 U.S.C. § 1291.

National was not in the case originally, but was brought in as an indispensable party by order of the trial court.

The parties strongly disagree in their factual statement. Appellant's factual statement is marred by frequent references to rulings of the trial judge which it alleges were improper or inconsistent, interspaced with argument and criticism, direct and implied relative to such rulings, and the alleged merits of its case.

Appellee's attack on appellant's brief, and its motion to dismiss the appeal on the ground it constitutes a flagrant violation of Rule 18(c) and (e) of this court, has substance. There are inadequate record references to alleged facts; there are vital and essential omissions from quoted material; and there are references to documents stricken from the record by the trial court without reference to the court's having so ruled. Appellant's brief is far from a model.

This court cannot condone such a presentation. Every appellate court is tempted to summarily grant such a motion as is here before us, for it seems the only way to bring the court's requirements as to briefs home to counsel with sufficient force as to cause counsel to follow and obey our rules of court. Yet most judges are plagued with the conviction that the sins of attorneys should not be visited upon their clients. With that

thought uppermost, we decline to dismiss the appeal as moved by FUCE.

We proceed to the merits. Appellee National, critical of appellant's factual statement, lists certain stipulated facts, quoting the record and citing transcript page numbers for each statement made. Pacific denies that such stipulated facts are "controlling" (Reply Br. p. 3) (as they are characterized by National), but does not dispute in any way the correctness of the stipulated facts so referred to. For that reason, we adopt such statement, with its references to the record:

PORTION OF STIPULATED FACTS

"I

"Prior to the organization of National Cooperatives, Inc., an Indiana corporation and subsequently by the reorganization, a District of Columbia cooperative corporation, the Midland Cooperative Oil Association, Minneapolis, Minnesota (later, Midland Consumers Co-op) and the Union Oil Company Co-operative, Kansas City, Missouri (later, Consumers Cooperative Association) adopted and used the trademark 'CO-OP' on and in connection with the advertising, manufacture, sale and distribution of various products, including petroleum products, tires and tubes." (R. 1451-1452; 9010-9011)

"II

"Prior to the organization of National, Midland Cooperative Oil Association and the Union Oil Company Cooperative lawfully registered the trademark 'CO-OP' in the United States Patent Office." (R. 1452; 9011-9012)

"III

"Prior to the organization of National and in 1932, six cooperative associations, i.e.:

1. Walla Walla Farm Bureau, Inc., Walla Walla, Washington

2. Farmers Union Oil and Supply Co., Coeur d'Alene, Idaho

3. Twin City Oil and Gas Company, Milton-Freewater, Oregon

4. Farmers Union Oil Company of Polk County, Salem, Oregon

5. Farm Bureau Co-op, Hermiston, Oregon

and

6. Cooperative Oil Company, Caldwell, Idaho

were local retail cooperatives supplying their members with tires, tubes and other products bearing the trademark 'CO-OP' so registered by the predecessor of Midland Cooperative Oil Association and by Union Oil Company Cooperative." (R. 1452; 9012-9013)

"IV

"National was first organized on February 23, 1933, under the laws of Indiana, with principal office in Chicago, Illinois, as a cooperative corporation, for the purpose, among others, of pooling purchasing power, obtaining and registering trademarks, including those involved in this litigation, and for the purpose of obtaining supplies for sale and distribution to its members and identified by such trademarks. Substantially all of National's business is with its regional wholesale cooperatives. Its charter members comprised six regional wholesale cooperatives, including Midland Cooperative Oil Association, later Midland Consumers Cooperative, Union Oil Company Cooperative, now Consumers Cooperative Association, and Farmers Union Central Exchange, Inc., hereinafter referred to as FUCE. Said regional wholesale cooperatives, including FUCE, have continued as members and shareholders of National to date." (R. 1452-1453; 9014-9015)

"V

"In the organizational meetings of National arrangements were initiated for the assignment and the transfer of the trademark 'CO-OP' to National by Midland Cooperative Oil Association and Union Oil Company Cooperative, which resulted by terms of the assignments in the transfer of the entire right, title and interest in and to said trademarks and the good will of the business symbolized thereby, to National, as shown by Exhibits and ." (R. 1453; 9015-9016)

"VI

"Subsequent to the organization of National and on December 19, 1933, the six local retail cooperatives identified in Paragraph III caused plaintiff, Pacific, to be organized with its principal office in Walla Walla, Washington. Upon organization Pacific applied for membership in National and the benefits thereof as a regional wholesale cooperative, and such application was accepted at a meeting of the board of directors of National, held February 12, 1934. At all times since, Pacific has been a regional wholesale cooperative and member shareholder of National." (R. 1453-1454; 9016)

"VII

"National, as now reorganized, is a non-profit cooperative association organized under Act of Congress, June 19, 1940, Public No. 642, 76th Congress, 54 Stat. 480, with principal office in Albert Lea, Minnesota. The reorganized corporation acquired all of the assets and assumed all of the liabilities of its predecessor. The membership of National is now composed of 26 regional wholesale cooperatives with equal rights, operating in most of the principal parts of the United States and in some parts of Canada. National's board is composed of representatives of the regional members. All capital of National, ex-

cept loan capital, has been contributed by the regionals." (R. 1454; 9016-9017)

"VIII

"Pacific is a non-profit cooperative corporation, organized under Oregon Revised Statutes, Section 77-5-01, et seq., as a regional wholesale cooperative engaged in supplying farm supplies, including petroleum products, tires and tubes, to local retail cooperatives and marketing farm crops. Pacific, since 1950, has done business with about 120 local retail cooperatives. These locals own the voting shares of Pacific and serve at least fifty thousand farm families. All capital of Pacific, except preferred stock and loan capital, has been contributed by local retail cooperatives. Approximately 90% of these retail cooperatives are located in Washington, Idaho and Oregon, of which about 16 are located in Washington, at present. Pacific also does business in the following states: Northern California, Western Montana, Wyoming and Alaska. Pacific is licensed to do business in the foregoing states. About 40% of Pacific's gross volume is in petroleum products and about 15% is in crop marketing transactions. Pacific has never refined petroleum products." (R. 1454; 9017-9018)

"IX

"FUCE is a non-profit cooperative corporation, organized under Minnesota statutes, Section 308.05, et seq. as a regional wholesale cooperative, with its principal office in South St. Paul, Minnesota. It is engaged in supplying farm supplies, including petroleum products, some of which it produces and refines, also tires and tubes, to local retail cooperatives. These locals own the voting shares of FUCE and serve at least 250,000 farm families. All capital of FUCE except loan capital has been contributed by local retail cooperatives. FUCE now does business in the following states: Wisconsin, Minnesota,

North Dakota, South Dakota, Montana, Wyoming, Idaho, Washington and Oregon. About 65% of FUCE gross volume is in petroleum products. Since 1943 FUCE has operated a refinery at Laurel, Montana. Since September, 1954, FUCE has transported petroleum products through Yellowstone Pipeline to its terminus at Spokane, Washington. The pipeline was completed that year." (R. 1455; 9018-9019)

"X

"National has sponsored and sold merchandise, including merchandise set forth in Exhibit 'D' of the complaint, bearing labels, trademarks and or trade names, the essential features of which are the words 'CO-OP' and or 'National Cooperatives.' Customarily, National maintains product committees whose membership is composed of representatives from regional wholesale members who report to the board of National recommendations for manufacture and standards of products bearing the trademarks and trade names. National's 'CO-OP' trademarked goods are distributed by its wholesale members to the local retail cooperatives. Both Pacific and FUCE have used the trademark 'CO-OP' wherever each has done business. The trademark has been and is regularly used by the parties in two ways: One, it is affixed by or on behalf of National to products manufactured by or for National and made available by National to its members for distribution on the retail level. Two, it is used by members of National on products such as petroleum products which National does not make available." (R. 1455-1456; 9019-9020)

"XI

"The trademark 'Universal' was adopted, used, and was registered in the Patent Office, Reg. No. 147,709, on October 25, 1921, by Universal Milking Machine Company. Pacific purchased and sold milking machine equipment manufactured under such

registered trademark. Thereafter, in 194 . National purchased the Universal Milking Machine Company, its trademarks and the good will symbolized thereby and received due assignments thereof. It has used and maintained such registrations and has renewed and reregistered the trademark 'Universal'. Pacific purchases and distributes milking machine equipment manufactured by National and bearing National's trademark 'Universal' and the trade mark 'Universal' and the trade name 'National Cooperatives.'" (R. 1456; 9021)

"XII

"National Cooperatives, Inc. and its predecessors in title, have continuously used and maintained United States registration of the trademark 'CO-OP' since 1924 and has used and maintained United States registration of the trademark 'Universal' since 1921. National has caused the trademark 'CO-OP' to be registered in its name in about 40 states, including Washington, Oregon and Idaho, as evidenced by Plaintiff's Exhibit 1." (R. 1456; 9021-9022)

"XIII

"The trademark 'Capri' was adopted, used and registered by National in Class Thirty-One (31) for electric freezers, refrigerators and combination freezers and refrigerators, Reg. No. 663,131, on June 17, 1958; in Class Twenty-Four (24) for electric washer and dryers, Reg. No. 666,285, on August 28, 1959; and in Class Twenty-One (21) for electric water heaters, Reg. No. 688,223, on November 17, 1959." (R. 1456-1457; 9022)

"XIV

"National and National Cooperatives are part of the corporate name of National Cooperatives, Inc. and are not registered trademarks. Both Pacific and FUCE has used these words or trade

names only in connection with goods, commodities or products supplied or sponsored by National or to evidence membership in National. The names 'National' and 'National Cooperatives' and the trademarks 'Universal' and 'Capri' have been affixed by or on behalf of National itself to the products made available to its members for sale by them at wholesale and have not been affixed by Pacific or FUCE themselves to any product. FUCE has never sold any 'Capri' marked products." (R. 1457: 9022-9023)

"XV

"Mr. Charles Baker has been president of National since 1952 and a director since 1935. During this period he served as th egeneral manager and secretary of Pacific and as one of its representatives on National's board." (R. 1457: 9023-9024)

"XVI

"Pacific has had in effect for many years membership agreements with many of its members which are similar in form and substance to that shown as Exhibit 'B' to its complaint. Pacific since 1958 also has had in effect refinery agreements with a number of its members like that attached as Exhibit 'C' to its complaint. The particular cooperatives with which Pacific has had signed contracts as shown by its records as of November, 1958, are set forth in Defendant FUCE Exhibit ." (R. 1457: 9024)

"XVII

"Since their organization both FUCE and Pacific have loaned substantial sums of capital and have contributed managerial and numerous other services to their respective local cooperatives." (R. 1457: 9025)

"XVIII

"Both Pacific and FUCE have spent substantial amounts of money each year in advertising and

promoting public acceptance of and the sale and distribution of goods, National and non-National, bearing the trademarks and trade names referred to herein in the respective areas where each has transacted business." (R. 1458; 9026)

"XIX

"There is no way for a customer of a local retail cooperative to distinguish goods bearing any of the trademarks or tradenames referred to herein as having been supplied by or through Pacific or FUCE, unless the name of either organization is marked thereon. Neither the name of Pacific or FUCE is marked on any goods made available by or through National." (R. 1458; 9027)

"XX

"FUCE's first and only employee residing west of Montana has been one D. M. Johnson, residing at Seattle, Washington, who went on the payroll as a field man January 1, 1957." (R. 1458; 9028)

"XXI

"Associated Cooperatives of Northern California, hereafter referred to as ACNC, became a regional wholesale member of National October 20, 1941. It has done and does business with local retail cooperatives in the Bay Area of California and has served local retail cooperatives as far north as Crescent City, California and Redding, California. Since 1951 ACNC has served no local retail cooperative north of Fort Bragg, California. Pacific has distribution facilities at Klamath Falls, Oregon and since 1940 has served local retail cooperatives at Tulelake and Alturas, California and prior to 1951 served one such unit at Crescent City, California. The local retail cooperatives of Pacific at Klamath Falls, Lakeview and Merrill, Oregon, have delivered, advertised and sold products bearing National's trade-

marks and trade names into the northeastern portion of California. ACNC does not handle Universal products. Universal Dairy Supply Corporation, hereafter referred to as UDSC, and its successor has sold Universal milking machines and accessories in the State of California for a period of years and to date, with patronage refunds to ACNC. Both Pacific and Consumers Cooperative Association, hereafter referred to as CCA, has supplied and now supply some products under National's trademarks and trade names to ACNC. Except as so stated there have been no sale of products under National's trademarks or trade names in the area comprising the northern half of California within the knowledge of the parties. The parties know of no evidence of conflicts, disputes or problems of competition between regional wholesale members of National in the area of the northern half of California." (R. 1458-1459; 9208-9210)

"XXII

Utah Cooperative Association, hereafter referred to as UCA, became a wholesale regional member of National December 20, 1944. It has done and does business with local retail cooperatives in the State of Utah and eastern Nevada. Prior to the date UCA became a member of National, CCA had served local retail cooperatives of that association in Utah, and Pacific had served those of Pacific in northerly and westerly Utah. Pacific maintains a warehouse and distribution center at Pocatello, Idaho, and has delivered products under National's trademarks and trade names not handled by UCA to UCA and local retail cooperatives in Utah under special arrangement with UCA. Under similar arrangements, UCA and local retail cooperatives from northern Utah have obtained from Pocatello, Idaho, warehouse of Pacific, products under National's trademarks and trade names not handled by UCA. UCA does not handle Universal products. Utah Poultry and Farmers Cooperative, and successor, hereafter referred

to as UPFC, sells Universal milking machines and accessories in Utah, with patronage refunds to UCA. Except as so stated there have been no sales under National's trademarks or trade names in the State of Utah within the knowledge of the parties. The parties know of no evidence of conflicts, disputes or problems of competition between regional wholesale members of National in Utah." (R. 1459: 9208-9210)

"XXIII

"ACNC has supplied products under National's trademarks and trade names to local retail cooperatives in western Nevada and UCA to local retail cooperatives in eastern Nevada. Except as so stated there have been no sales under National's trademarks or trade names in the state of Nevada. The parties know of no evidence of conflicts, disputes or problems of competition between regional wholesale members of National in the state of Nevada." (R. 1460: 9208-9210)

"XXIV

"Regional wholesale cooperatives in Canada, members of National Serving areas north of Washington, Idaho and Montana, have not introduced products into those states with National trademarks or trade names nor has Pacific or FUCE introduced any such goods into Canada. The parties know of no evidence of conflicts, disputes or problems of competition between wholesale regional members of National in Canad and those in Washington, Idaho and Montana." (R. 1460: 9208-9210)

"XXV

"The westernmost local cooperatives in Montana supplied by FUCE are located at Plains and Eureka, Montana, and the easternmost local retail cooperatives served by Pacific in Montana have been and are located at Kalispell and Ronan, Montana." (R. 1460: 9208-9210)

The following stipulated facts (says appellee National) are too extensive for quotation in full, but are fully set forth in the record:

(a) Relevant minutes of National (R. 742-794) including:

(1) Article X of by-laws of National adopted February 19, 1935—

"*Section 2.* The name of the district wholesale may appear conspicuously on the border of the trade mark when used in connection with petroleum products sold in the territory covered by each regional wholesale, except the name of the district wholesale shall appear in connection with trade mark in all competing territory."

"*Section 3.* All members of the National Cooperatives, Inc. refrain from soliciting in any manner accounts doing business with another member of the National Cooperatives, Inc. or companies in process of organization by a member of the National Cooperatives, Inc. within the boundaries recognized by the National, as the territory of such members." (R. 750)

(2) Article I of by-laws of National, amended March 18, 1936, adding Section 3. (R. 752)

(3) Elimination of the foregoing by-laws by adoption of new by-laws of National December 20, 1944, including Article VIII:

"ARTICLE XIII

Trade Mark

"Section 1. *Use by Members.* The name of a district wholesale may appear conspicuously on the border of the trade mark when used in connection with petroleum products sold in the territory covered by each regional member, and shall appear where the trade mark is used in competing territory." (R. 769)

and.—

(4) Article IX of by-laws of National adopted September 8, 1946, (replacing former Article VIII) relading:

"ARTICLE IX

TRADE MARK

"Section 1. *Trade Mark*. If a member individually uses the trade mark Co-op, it shall use its own corporate name conspicuously in connection therewith. The name 'National Cooperatives, Inc.' in connection with the trade mark Co-op may be used only on those products distributed by this association directly or against a contract negotiated by this association." (R. 770)

(b) Relevant Minutes of FUCE (R. 795-827) and of Pacific (R. 828-866) are all stipulated.

(c) Trademark records (R. 919-934) (1709-3038) comprising stipulation that National "is the record owner" of Forty-Two (42) United States Trademark registrations including "CO-OP", "Capri", "Universal" and others. (R. 919-929) and as to those assigned.

"all right, title and interest in and to said marks, the registration thereof, and the good will of the business symbolized thereby". (R. 929)

and the owner of State Trademark Registrations covering "CO-OP", including fifteen (15) Registrations in the states of Idaho, Oregon and Washington (R. 930-932)

(d) Volume of sales by FUCE to local cooperatives in Montana, Wyoming, Idaho and Washington is shown by stipulation. (R. 867-910) It establishes that goods under National's trademarks have been sold by FUCE.

in areas claimed by Pacific as exclusive (R. 4), and to local cooperatives claimed by Pacific as its exclusive members (R. 46-51), since 1939 in Montana (R. 883; 906); since 1943 in Wyoming (R. 868; 886); since 1943 in Idaho (R. 875; 876; 895; 896) and since 1955 in Washington (R. 874; 893).

Appellant has raised sixteen specifications of error, which have been reduced to seven in its summary of argument. They are:

I. The trial court abused its discretion in the pre-trial proceedings in entertaining the motion to dismiss.

II. The summary judgment was improper.

III. The trial court's dismissal of the third party complaint under Rule 41(b), Fed. R. Civ. P., was error.

IV The judgment "abridges" Pacific's trademark property rights.

V. The judgment was error because National and FUCE are estopped from use of the trademarks "in Pacific's trade areas."

VI. The summary judgment erroneously eliminates the issue of unfair competition, *pendent* and *nonpendent*.

VII. Error in dismissing all claims against National and some against FUCE, despite material issues of fact.

Upon oral argument, it appeared to this court that appellant's positioin could best be narrowed down to the one question: Had Pacific acquired by any means an implied-in-fact exclusive license to use in the Pacific Northwest the trademarks registered to National?

While a "grant" of such an exclusive license was alleged and that such grant had been later "confirmed." Pacific conceded in pretrial hearings, and on oral argument, that there is no formal agreement or contract containing any exclusive license with respect to use of any trademark in favor of Pacific, unless it be by the Caldwell Agreement (R. 9030).

As stated in appellant's brief: "Pacific depends upon the usages, practices and customs of the parties to prove its exclusive rights and equitable ownership" in the alleged exclusive license.

We have carefully considered the so-called "Caldwell Agreement of April 14, 1941." We refer to appellants' brief, assuming it to be the strongest possible statement of appellant's position with respect to the meaning and legal effect of the Caldwell Agreement. It reads (p. 23):

> "In 1939, Cooperative Oil Association (COA) of Caldwell, Idaho, a charter member of Pacific, withdrew from Pacific and sought membership in National. This application was refused by National, its minutes of September 8, 1939, reflecting:
>
> > 'Mr. Cort, (Midland) had also reported that the Membership Application Committee had considered the application of COA at Caldwell, Idaho, for membership. He stated it was brought out in discussion that this organization had only recently withdrawn as a member of Pacific Supply Cooperative and it would be operating within the territory of Pacific Supply Cooperative and stated for that reason the Committee denied the application . . . (R. 760)
>
> COA sued Pacific and National claiming exclusive rights to use of the 'CO-OP' trademark in the

> state of Idaho. Negotiations culminated in a settlement agreement referred to as the 'Caldwell Agreement,' dated April 14, 1941. In the defense of the COA action, National and Pacific both represented that Pacific was then possessed of exclusive trademark rights within its trade area. (R. 1439-1444; 306-308; 1116-1126)."

What National and Pacific "represented" in the "Caldwell Agreement" is, of course, purely a conclusion of appellant. And what was pleaded or asserted in defense of a law suit does not necessarily become part of an agreement made in settlement of that law suit. Ap-

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Purely as an example, we have carefully studied the references cited by appellant and relied upon by it in support of its statement that "*National and Pacific both represented* that Pacific then possessed of exclusive trademark rights within its trade area." (Appellant's Br., p. 23. Emphasis added.)

Three references to the Transcript are made. They are:

(a) "*Tr. 1439-1444.*

This is a reference to the "Statement of *Plaintiff* [Pacific] relative to Exclusive Rights of User." (Emphasis added.)

(1) The first reference on page 1439 is to *Pacific's* By-Laws which contains no apt reference to our problem.

(2) The next is to *Pacific's* "Membership Agreement." Before quoting the latter this self-serving statement appears: "The agreement was designed to protect National as well as Pacific in the latter's exclusive rights within its trade area."

(3) The statement then *quotes* from page 4 of its own Membership Agreement to show Pacific has the *exclusive right to represent National in the territory served by Pacific*; that *National is the owner of certain trademarks*, that *the use of such trademarks* (including CO-OP) *is by license from Pacific*, and is *terminable* by the terms of the agreement. Thus, there is no reference to any agreement by National that Pacific had exclusive trademark rights.

(4) Pacific's statement then quotes certain allegations from its own complaint in intervention in the Caldwell litigation, referring to what Pacific's local units "intended" to do to protect its exclusive use. (Tr. 1441)

(5) Pacific then makes the self-serving references to its own pleadings.

pellee National quotes certain exact language taken from that "Caldwell Agreement." Paragraph 9 permitted COA to purchase through Pacific, at a markup, within Pacific's "territory," merchandise made available through National. COA agreed in return not to use the trademarks, "the essential feature of which consists of the word 'CO-OP.'" In Paragraph 10 COA agreed not to sell gasoline and other petroleum products under the CO-OP trademark of an inferior quality, or "other than in territory of second party" (Pacific). COA in Paragraph 11 agreed not to solicit customers from Pacific's

(6) Pacific then refers to affidavits filed by it, signed by Charles Baker, its officer, referring to its alleged exclusive right to use the trademarks involved (Tr. 1443-1444).

(b) *Tr. 306-308.*

(1) These pages refer to the affidavit of Charles Baker (which states Pacific *had the exclusive right*, by license from the owner National, of the trademark "CO-OP"), which was filed in Idaho state (so-called Caldwell) litigation. He made this affidavit as a director of National Co-operatives, Inc., *and also* as manager and secretary of Pacific.

(c) *Tr. 1116-1126.*

This refers to "Plaintiff's Request for Admission of Facts and Genuineness of Documents and to Admit Exhibits into Evidence," filed August 7, 1961, covering 110 pages. Nothing of interest appears until:

(1) *Item 3010*, Transcript p. 1119, which is a reference to Charles Baker's affidavit that Pacific had an exclusive right to the use of the trademark CO-OP (as previously mentioned in (b) *supra*);

(2) *Item 3031*, Transcript p. 1122, which recites the Board of Directors of Pacific "was of the opinion it was better to make a poor compromise than to win the law suit. . . . We have done everything possible to safeguard the CO-OP trademark for Pacific Supply Cooperative and the National."

(3) *Item 303-g*, Transcript p. 1124, which refers to an effort to straighten out the trademark matters in the territory served ". . . [so] that Pacific and National have the right to claim the exclusive right (sic) to use 'CO-OP' brands, etc., in this territory."

(4) *Item 303-l*, Transcript p. 1125, which refers to correspondence indicating that Pacific's "greatest difficulty in the litigation

members, and *vice versa*. The pending litigation was dismissed "without prejudice," and in Paragraph 14 it was provided:

> "It is further expressly agreed that neither the execution of this agreement nor any of the provisions thereof, nor the dismissal of either of the suits hereinbefore mentioned, shall be deemed or construed to be a waiver of, or prejudicial to, any of the rights that any of the parties hereto may now have to the use of trade-marks, brands, names and labels, the essential feature of which is the word 'CO-OP'." (R. 395)

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drew (sic) out of our efforts to settle the matter involving trademarks . . . . We were not in an admirable position respecting the same . . . . We were ultimately successful in maneuvering the negotiations so as to obtain at least a year's recognition of the trademark as belonging to National and its licensee regional Pacific Supply."

(5) *Item 305-a*, Transcript, p. 1126, which was material to prove that on November 5, 1953, before any controversy had arisen between Pacific and FUCE, Pacific interpreted the Caldwell Agreement as follows: "The contract also recognizes PAC as exclusive licensee of those trademarks," under agreement with National, in Montana, Idaho, Washington, Oregon, Northern California, Alaska and Wyoming.

Thus, we cannot agree with counsel for appellant that "In the defense of the COA action, *both Pacific and National represented* that Pacific was then possessed of exclusive trademark rights within its trade area." (Emphasis added.) The *only* support for such a statement is the allegation to that effect made by Charles Baker, a person wearing two hats, to say the least.

We cannot leave the subject of flat statements, made as arguments in appellant's brief, but lacking in adequate cited support, without reference to another example:

Appellant state: "While the court relied on 'stipulations' 'agreed statements' and 'admissions' (R. 1247), Pacific *repeatedly* advised the court of their inaccuracy by reason of incompleteness (e.g., R. 9325-9326)." We think one citation is inadequate to establish a *repeated* course of conduct.

On page 9325, Mr. Sherwood stated he contended that stipulations made by dictation into the record were not a part of the record "until we complete the stipulations." The trial court, and we think with reason, felt that the stipulations were complete when made, and competent to establish sufficient facts to create issues of law based on such determined facts.

We cannot read the Caldwell Agreement as appellant so readily does—as establishing "an exclusive trademark right within Pacific's trade area." In fact, it created and permitted two competing marketing organizations within the area Pacific now claims exclusively; permitting each to use the CO-OP trademark with certain restrictions on quality of products sold and solicitation of customers.

Early in 1941, Charles Baker, general manager and secretary of Pacific and a director of National (see note 2, *supra*), had filed an affidavit in the action out of which the Caldwell Agreement arose, which recited:

> "that said National Cooperatives, Inc., has since the year 1933 licensed unto Pacific . . . *the exclusive right* to the use of the trademarks, brands, names and labels, the essential feature of which consist of the word 'CO-OP' in the territory which Pacific Supply Cooperative has operated and now is operating . . . ." (Emphasis added.)

Pacific also makes the statement that:

> "National reconfirmed its policy and required CCA (sic) and Midland to recognize that each regional must respect the exclusive ownership of good will of the other regional members of the joint venture." (Br. p. 24. Emphasis added.)

The first reference to exclusive use of trademarks is clear. We do not understand this second statement with reference to good will, however, unless it is an attempt to prove (as appellant states later in its brief) that members of National were, in 1940, authorized to use the trademark in certain definite territories, and that National would undertake to prevent anyone else, members or nonmembers, from using it in that territory. To give

Pacific the benefit of any doubt, we assume this was stated by one Cowden, secretary of National, in 1940; and the same position was taken on several occasions by National prior to late in 1944.

BY-LAWS

We next consider one of the important aspects of the case. In attempting to determine the understanding of the parties, we go to the content of the Articles of Incorporation and the By-Laws of the various corporations involved. The validity and value of this approach is recognized by all parties hereto.

On February 19, 1935, National adopted by-laws containing, among other matters, as amended March 18, 1936, the Article X, Section 3, quoted at page 12, *supra*, which referred to "the territory of such members." (R 750)

On December 20, 1944, this Section 3 of Article X was eliminated by the adoption of new by-laws. Article VIII then read as quoted at page 12, *supra*, and referred to use of the trademark "in competing territory." (R 769)

Article IX replaced Article VIII on September 8, 1946, and reads as follows:

"ARTICLE IX
TRADE MARK

"Section 1. *Trade Mark.* If a member individually uses the trade mark Co-op, it shall use its own

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This section is called "Article X" in appellant's brief (p. 27).

corporate name conspicuously in connection therewith. The name 'National Cooperatives, Inc.' in connection with the trade mark Co-op may be used only on those products distributed by this association directly or against a contract negotiated by this association." (R. 770)

CONDUCT

Pacific makes the flat statement "From 1934 to date National has required all parties in Pacific's trade territory seeking use of trademarked goods sponsored through National by the regionals to obtain them solely through Pacific." (R. 768; 1208; 339; 349) "The only breach of Pacific's said contractual rights and relations has been with reference to FUCE's recent violations." (R. 1056, 298-299; 383-385; 1053-B; 1066-1067)

Yet the volume of sales by FUCE to local cooperatives in Montana, Wyoming, Idaho and Washington is shown by stipulation: (R. 867-910) (See "(d)", p. 13, *supra*) These figures directly contradict appellant's flat statement.

This area claimed by Pacific includes each of the states mentioned in the stipulation (R. 4) Thus, by the stipulated facts Pacific's exclusive territory was *not* recognized by FUCE or National since a time prior to the Caldwell Agreement.

Yet, says Pacific, FUCE for the first time came into Pacific's territory in 1954, and began taking away Pacific's customers, finally hiring away its longtime employee, Johnson.

On the aforesaid briefly described factual situation,

somewhat contradictory in character, appellees' position is that the trial court correctly determined, solely as an issue of law, that National was the owner of all trademarks and trade names in issue; that Pacific is a licensee of National; as such licensee Pacific cannot acquire adverse rights against its licensor; that the rights of National are incontestable under the Lanham Act; that Pacific's rights in the trademarks and trade names of National are such as are granted by the Articles of Incorporation and By-Laws only—and that the Lanham Act controls, both on the issue of infringement and of Pendent Unfair Competition or Pendent Unfair Trading. (R. 1249)

THE LANHAM ACT

Trademark Rights are not dependent on statutory enactment, but arise under common law from prior exclusive appropriation or adoption and use. *Piggly Wiggly Corp.* v. *Saunders*, 1924, 1 F.2d 572.

The Trade Mark Act of 1905 did not change the common law rights in trademarks, but did add to those rights, and did protect them, not only for the benefit of the owners but of the public. A trademark is an arbitrary symbol affixed by the manufacturer, or by one who has his products manufactured, to a vendible product, which designates and distinguishes such product and protects the manufacturer's good will, existing because of his business and the quality of his product.

But the 1905 Act required amendments (those in 1920 and 1938, substantial in nature) and in 1947 the Lanham Trade Mark Act became effective, after its

adoption the previous year. Its purpose was not only to clear up inconsistencies and alleged "constructions" of prior acts which "obscured and perverted" their original purpose,[4] but to simplify practices, carry out international commitments, and to create new substantive rights in registration, and thus create an incentive to registration.

Among the new substantive rights recognized and created was the "collective mark"—a mark to be used by the members of a cooperative, association or other group to identify and distinguish the goods or sources of members.[5]

For the first time registration of a mark gave *constructive notice to the world* of the registrant's claim of ownership (15 U.S.C § 1072), including those previously relying on an intrastate use only. Not only did the registration establish prima facie evidence of ownership, but likewise prima facie evidence of validity of the registration and of the registrant's exclusive right to use. After any five year use of a registered mark, it is incontestable if necessary affidavits are filed. (15 U.S.C. § 1065.) Marks renewed or registered under the old Act receive the procedural and remedial advantages of the new Act.

Collective marks (as are here involved) are provided for in 15 U.S.C. § 1054. Section 1055, which follows, reads:

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[4] *Cf.*: Commentary on Lanham Act, 15 U.S.C., page 265 *et seq.*

[5] Collective marks were actually created by amendment in 1938, but were not adequately defined and little used.

> "Where a . . . mark . . . is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant, and such use shall not affect the validity of such mark or its registration, provided such mark is not used in such manner as to deceive the public."

"Related companies" is defined in 15 U.S.C. § 1127. And concurrent registration by more than one user was permitted. 15 U.S.C. § 1051.

It was stipulated here that the trademark "CO-OP" had been registered as a collective mark under the Lanham Act. (R. 919-934) It is admitted that the trademark CO-OP is incontestable under the Lanham Act (R. 272-273; 288; 1316). Under 15 U.S.C. § 1057(b) registrant's right to use is an "exclusive right to use . . . in commerce." *Curtis-Stephens-Embry Co.* v. *Pro-Tec-Toe Skate Soap Co.*, 8 Cir. 199 F.2d 407; *Rolley Inc.* v. *Younghusband*, 9 Cir. 1953, 204 F.2d 209.

It is difficult to see, therefore, how any use by Pacific, a "related company" as defined by the Act, can do more than "inure to the benefit of the registrant"—National.

ESTOPPEL

Entirely apart from the Lanham Act, estoppel *in pais* is raised by National against Pacific. Pacific represented to the United States Patent Office that the word "CO-OP" belonged to National. (R. 2880; 8890-8891; 9074.)

In *Holly Hill Citrus Growers Assn.* v. *Holly Hill Fruit Products, Inc.*, 5 Cir. 1935, 75 F.2d 13, the court said:

> "There is a kind of evidential estoppel which, though it may not amount to complete estoppel in pais, is raised when persons who have spoken or acted one way under one set of circumstances, and with one objective in mind, undertake under other circumstances and when their objective has changed, to testimonially give a different color to what they formerly said and did. We think that principle applies here." (At p. 17)

To paraphrase the facts and opinion in the *Holly Hill* case, *supra*, and make the principle applicable here—

> "Pacific cannot now say, 'What I really intended you [National] to do was to have the trademarks issued in your name, and you were to have an "incontestable right" to use them as long as I was pleased with the manner in which you used them; as long as you didn't interfere with my *exclusive* use in such territory, as I think I should have exclusive use.' Pacific must say now what in effect it said, and enabled National to say, then."

Pacific has pleaded it is a licensee of National. (R. 4, 5, 6, 7, 29, 32, 33, 34, 35, 37, 40, 94, 197, 199.) That National is the owner is pleaded (R. 460; 913); stipulated (R. 919-934); and admitted (R. 272-273; 287-288).

The right of Pacific, FUCE, and twenty-four other regional wholesale cooperatives arises from their membership in National. (Admitted Facts, Paras. IV, VI and VII). That right is defined by the Articles of Incorporation and By-laws of National *(supra)*.

The By-laws of National, as we have seen, grant non-exclusive and equal rights to all of National members, to use its trademarks anywhere. These By-laws were executed subsequent to the alleged "Caldwell

Agreement" upon which Pacific primarily relies (R. 769, 770), and supersede it. *Stevennot* v. *Norberg*, 9 Cir. 1954, 210 F.2d 615. There the court said the change made by the stockholders in the By-laws

> "was valid and effective . . . . The language of the amendment is clear, unequivocal and unambiguous. No irregularity or fraud in its adoption is asserted. It cannot be held to have no force or effect, merely because of some mental reservation or unexpressed intention which the stockholders may have had when they adopted it." (*Id.* at 618.)

The above argument has assumed, as appellant urges, that the "Caldwell Agreement" creates an *exclusive* right to use the CO-OP trademark in Pacific. Yet by the agreement itself, Caldwell was permitted to use the trademark CO-OP on goods it could purchase from Pacific, *and to use it on petroleum products*, of a required standard, *which were not made available by National*. Thus the Caldwell Agreement created no *express* grant of an exclusive territorial right.

Where there is no express grant of exclusive territory in a contract or franchise, none will be impliedly read into the contract, *as a general rule*. *Parkway Baking Co.* v. *Freihoffer Baking Co.*, 3 Cir. 1958, 255 F.2d 641, 647. But the law recognizes exceptions.

As an expression of the exception to the general rule, Pacific relies heavily on *Huber Baking Co.* v. *Strockmann Bros. Co.*, 2 Cir. 1958, 252 F.2d 945. We think this reliance is misplaced.

Huber, in granting trademark rights to Quality Bakers Association (Hereafter QBA), reserved "full and

unrestricted" trademark rights to the grantor in a designated area, *i.e.*, where Huber had used the trademark, and where Huber intended to use the trademark in the future. The right granted was in and to the use of an "enlarged" mark. This gave "rise to a valid and binding estoppel against QBA." Here National recognized no reservation of any rights in Pacific.

Judge Medina in the *Huber* case also held Huber was not estopped in his claim by his assignment to QBA. The license that Huber received back after its assignment was different that that given out by QBA to its other associates. The "Sunbeam" licensing contract with Huber contained three matters *not* in the other "Sunbeam" licenses—

(1) All other licenses specifically stated they were nonexclusive: Huber's did not.

(2) Huber retained the right to assign—the antithesis of an exclusive right in QBA.

(3) Huber *claimed* and *obtained* the exclusive right to use "Sunbeam" in the Philadelphia area, then only partly served by Huber, when Strockmann "wanted in" on the Philadelphia area. QBA recognized this claim of right by refusing Strockmann.

We contrast those facts to the factual situation here, where—

(1) the stipulated facts show (R. 867-910) that Pacific had competition from FUCE in areas originally or now claimed to be exclusively Pacific's, since 1939 in Montana (R. 883; 906); since 1943 in Wyoming (R.

868, 886); since 1943 in Idaho (R. 875-876; 893-896); since 1955 in Washington (R. 874-893); since 19 in Utah, Nevada and California (R. 1458-1460; 9208-9210); and since 1959 in Oregon (R. 1140-1143; 75-88).

(2) that Pacific tried, unsuccessfully, to establish its exclusive rights to certain territory.

We quote from appellee FUCE's brief:

"When National was reorganized as a Washington, D.C. corporation in 1944, Mr. Charles Baker participated as a member of Pacific in the formulation of its original trade-mark by-law (R. 769). He likewise participated in the adoption of an amended trademark by-law in 1946, which is currently in effect (R. 770).

Mr. Baker served as General Manager and Secretary of Pacific since 1935 and as its representative on National's board during that period; he has been President of National since 1952 (R. 9023-9024; 1457).

[There is then quoted a reference to the changes in By-laws, hereinabove discussed in detail earlier in this opinion.]

* * *

In the deposition of Mr. Baker, both he and Pacific's counsel admitted that this by-law accords to members of National the right to use its trademarks (R. 5778). Mr. Baker further admitted that competition has existed, principally in the Midwest, between a number of regional co-operatives, using the trademarks of National in the course of such competition 'from the year one' (R. 5778-5779).

On several occasions Mr. Baker has attempted to persuade the board of National adopt procedures for the grant of exclusive territories, but such proposals have been rejected. (R. 5781, 5782; 773, 775.

776, 777-780; 781). On August 17, 1955 (R. 775), Mr. Baker made the following motion, which was subsequently tabled:

> 'Moved by Mr. Baker, seconded by Mr. J. E. Rose, *that the notice of the annual meeting inform members that the agenda will include consideration of a proposed by-law addition that it shall be the future policy of National Co-operatives, Inc., to grant franchises by geographical territories* and by regional and local associations on the merchandise which it manufactures or purchases and distributes.' (R. 776) (Emphasis added)."

(3). Pacific first claimed exclusive territorial rights in seven western states. As we have seen, the proof showed competition from members of National in California, Utah, and Nevada. Pacific then claimed "exclusive rights" in Oregon, Washington, Idaho, Montana and Wyoming. The latter three were proved to have had competition from members of National for years, at least since 1943.

Yet Pacific stated to the court:

> "We contend there was no agreement for division of territory and we want to make that very definite that National nor the constituant members of National *at no time arrived at any agreement* for the division of the territory." (R. 8886) (Emphasis added.)
>
> "*The Court:* Do I understand you to say you wanted to be understood there was no agreement for division of territory?
>
> "*Mr. Sherwood: That is true.*" (R. 8887)

Mr. Sherwood explained that

> "the division of territories was created out of users of this mark in the several localities creating the

> good will for each of these constituent members to the point where—in 1954 . . . we had valuable property rights." (R. 8886)

But in taking this position, appellant fails to recognize the long settled principle of law that a licensee (and Pacific had been that at least since 1944) of a trademark or trade name may not set up any adverse claim in it as against its licensor. Such use as a recognized licensee (pleaded and admitted by Pacific), sets up no rights in that licensee adverse to the terms of the license and the actual circumstances of the use. *Hicks* v. *Anchor Packing Co.*, 3 Cir. 1926, 16 F.2d 723, 726; *Medd* v. *Boyd Wagner, Inc.*, 1955, 132 F. Supp. 399; *Prichard Co.* v. *Consumers Brewing Co.*, 6 Cir. 1943, 136 F.2d 512, 522, certiorari denied, 321 U.S. 763.

(4) Appellant relies upon an alleged contract for exclusive use of trademarks allegedly existing over a period of years, and then a "revocation action" or "policy change" that denied the right to exclusive use, with alleged destructive effect on good will and business values generated by "long-time exclusive use of the marks." (Appellant's Br., p. 6.) Just what business result obtains under any license of a trademark, whether exclusive or nonexclusive, by an owner-licensor to a licensee when the license expires by its terms or is terminated for other reasons? (A similar situation exists when any distribution or agency contract ends by its terms or is terminated for a variety of business reasons.) Such a termination with its resultant loss of business and profit does not create equitable rights in the license upon which recovery for such losses can be claimed or established.

nor does it create any form of estoppel against the original licensor. Thus, while it must be admitted that Pacific *claimed* an exclusive right to use the trademarks, primarily through its officer, Baker, down through the years—that right was never recognized by any consistent course of conduct between the parties to this litigation—nor any unequivocal knowledgement in writing by appellees that appellant's position was correct. The opposite occurred. Thus no exclusive right was created even impliedly, by the action of the parties.

USE OF OTHER TRADEMARKS

There are other trademarks than CO-OP which are mentioned in the appellant's brief ("National," "National Cooperatives," "Capri" and "Universal"). Yet we agree with appellees that they have been stipulated out of the case.

It was stipulated the first two are part of the corporate name of National Cooperatives, Inc. and are not registered as trademarks (R. 9022-9023; 1457; Stipulated Fact XIV, *supra*.)

National purchased the trademark "Universal" in the 1940's, and registered it in its own name. (Stipulated Fact X, *supra*.) National registered "Capri" in 1958. Pacific, FUCE and the other cooperatives have used these names only on goods supplied and sponsored by National, or to evidence membership in National. (Stipulated Facts XII and XIV, *supra*.) It is *stipulated they* have never been affixed by Pacific or FUCE to any prdoducts. (R. 9022-9023; 1457.) Thus, technically, Pa-

cific has never *used* these "trademarks" and the right to trademarks is founded, not on ownership, legal or equitable, but on use. 1 Nims, Unfair Competition and Trademarks 635, 636 (4th ed. 1947).

PENDENT UNFAIR COMPETITION[6]

Section 1338, Title 28, United States Code, provides jurisdiction in the United States Courts "when joined with a substantial and related claim under . . . the trademark laws."

As nearly as we can tell from the briefs of appellant, the oral argument, and the representations made by appellant's counsel to the court below, the so-called issues of pendent unfair competition depend entirely upon the assertion of appellant Pacific that it has acquired an implied-in-fact exclusive license to use, in the Pacific northwest, the trademarks registered to National. The trial court having held, as a matter of law, that it has no such exclusive license, and we having held that this determination is correct, there is thus no support for the cause of action asserted under the label of pendent unfair competition.

We see nothing in *Pursche* v. *Atlas-Scraper*, 9 Cir. 1961, 300 F.2d 467, nor in the Columbia Law Review note on Pendent Jurisdiction (62 Col. L. Rev. 1018 at 1048), that renders the trial court's position untenable.

Appellant simply did not establish its rights to rely upon an implied-in-fact exclusive license to use National's trademarks existing by reason of the usages, practices and customs of the parties.

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[6] Referred to in appellant's brief as "Unfair Trading."

PROCEDURE

In ruling as it did below, the trial court stated:

> " . . . I think that after repeated pre-trial conferences and after repeated opportunities of the plaintiff to consider his third party complaint in light of the fact that a complaint such as that should contain the allegations with which the plaintiff expects to charge the third party defendant, that I should grant the motion of National to dismiss and I do so, both granting the motion under 41(b) and the motion which is made August 15 and noted for argument day before yesterday in which they say:
>
> > "That there has been no actionable wrongful inducement to cause member cooperatives of plaintiff to breach their membership contract and to dismiss all claims based upon such contention."
>
> and not as part of the pre-trial but as part of the motions and as part of the motions directed to the pleadings and as part of the motion, and partly on a motion for relief under 41(b). I feel that this matter has approached a phase that leads me to believe unless there is a definite limitation of issues and charges and counter charges, that this case will get far beyond any possible realm in which human endeavor can limit it, and so I feel that is necessary under the circumstances to do that and, accordingly the motion is granted and National is dismissed." (R. 9609-9610.)

Appellee FUCE's motion to dismiss was denied under Rule 41(b) (R. 1244), and appellee FUCE was required to elect as to certain defenses. The motion of third party defendant to dismiss was granted under Rule 41(b) "as to the claims of Plaintiff based upon inducement to breach of contract, fraud, aiding and abetting and conspiracy," because of the inadequacy "to charge the

Third Party Defendant with any claim on account thereof . . . [that] there is no genuine issue of material fact thereon": a partial summary judgment was granted "as to the issue of Exclusiveness and the related issues of Trademark Infringement and Pendent Unfair Competition." Defendant National was decreed the owner of the trademarks and trade names; the plaintiff Pacific was adjudicated a licensee of National.

> " * * * The Court determines and adjudicates: the Third Party Defendant is the owner of all trademarks and trade names in issue; Plaintiff is a licensee of Third Party Defendant; as such a licensee Plaintiff cannot acquire adverse rights against its licensor; the rights of Third Party Defendant are incontestable under the Lanham Act; Plaintiff has only such rights in trademarks and trade names of the Third Party Defendant as are granted by the Articles and By-Laws of Third Party Defendant which grant to all members of Third Party Defendant equal and non-exclusive rights; Plaintiff has failed to produce or show in the course of pre-trial proceedings any matter which would vary or change non-exclusive rights or raise any genuine issue of material facts thereon; the issues of Trademark and Tradename Infringement and Pendant Unfair Competition or Pendant Unfair Trading, are governed by the Lanham Act.
>
> (3) The Court specifically finds and determines that judgment should be entered immediately as to one or more, but fewer than all, of the claims or parties and that there is no just reason for delay; further, that there is no genuine issue of material fact as to any of the matters covered by such judgment. The Court accordingly directs entry of final judgment and does hereby enter judgment as follows:
>
> IT IS ORDERED AND ADJUDGED that the Third

Party Complaint be and the same is hereby dismissed with prejudice . . . ." (R. 1249)

We find no error in such ruling in the record before us, for the reasons heretofore stated. We hold the pretrial hearings were properly terminated; that in striking Pacific's request for "Admission and Genuineness of Documents and to Admit Exhibits Into Evidence" (clearly filed in violation of the trial court's orders) the trial court acted properly.

We affirm the judgment below, both as to the defendant FUCE and the third party defendant National.

(endorsed) Opinion Filed June 3, 1963.

Frank H. Schmid, Clerk.

EXHIBIT B

LETTER OPINION TO COUNSEL DATED SEPTEMBER 6, 1960 DENYING PARTIAL SUMMARY JUDGMENT TO FUCE (R. 452)

Gentlemen:

After considerable delay, which has been due in no small part to the fact that I have been holding court out of the district, I have examined the records and files of this case. I take this method of advising you of my decision for the reason that I feel a formal opinion is not called for under the circumstances.

This case is before the Court on defendant's motion for a partial summary judgment and plaintiff's motion to strike the defenses in the answer. The Court has considered the voluminous complaint, the depositions, affidavits, request for admissions and response. The complaint and supplemental complaint contain thirteen claims. They generally allege unfair competition, inducement to breach requirements contracts, infringement of Federal and State trademarks and conspiracy. The amended answer states eleven defenses. The motion to strike the defenses has been treated as a motion to dismiss or for summary judgment.

Under Rule 56(d) FRPC any motion for summary judgment not depositive of the case calls for a determination of those facts that are thereafter to be considered as not in issue. In this case such a determination at this time would have no beneficial result.

The Court examines evidence on the motions not to decide any issue of fact but to discover if any real issue of fact exists. U. S. v. Daubendiek, 25 FRD 50, 55.

Under Rule 56 of FRPC relating to summary judgment, the essential elements necessary for granting such motion are, 1) that no genuine issue as to any material fact exists, and 2) that the movant is entitled to a matter of law: Ransom v. Haner, 25 FRD 84, 85.

In this case the defendant has moved for partial summary judgment only. The movant would not be entitled to judgment in any event. The result of an order on the motion would be to anticipate the pre-trial order. It could embarrass the Court at the trial if the facts developed in a different manner than now indicated.

Since the argument on the motions in this Court, the decision has been rendered in a kindred case of Pacific Supply Cooperative v. United Farmers Cooperative, 156 Wash. Dec. 501 (August 4, 1960). That decision may have some bearing on the question of the validity of the requirements contracts. If it is res adjudicata on the validity of such contracts then there may be presented an additional issue of law and fact at the trial of this case. In that opinion it appears a substantial issue of fact was tried, and certainly that same issue would be presented in the trial of this case.

I feel that the claims of unfair competition and infringement are controlled by the Federal law and the Lanham Act and that National is an indispensable party in this case. However, a decision on that phase now would not dispose of the case and provision concerning that subject may be set forth in the pre-trial order. There are, I believe, sufficient issues of fact on all the questions raised to require the denial of both the plaintiff's and the defendant's motions. Accordingly, the motion of the defendant for partial summary judgment, and the motion of the plaintiff to strike defenses in the answer are denied. The plaintiff may prepare and present an order in accordance with this letter opinion.

The parties are invited to discuss and advise the Court of a suggested convenient state for a pretrial conference.

Very truly yours,

CHARLES L. POWELL,
United States District Judge

DENIAL OF MOTION TO AMEND—NATIONAL (R. 1278)

(July 7, 1961, Clerk's Minute Entry):

". . . Set for trial October 30, 1961 . . .

"Plaintiff's motion to amend third party complaint denied, with understanding any material issues not covered can be covered in pretrial order. . . . Pltf. to submit its summary of exhibits on or before August 1; defendants to submit their summary of exhibits on or before August 11. Further pretrial tentatively set for August 25. . . ."

ORAL DECISION GRANTING PARTIAL SUMMARY JUDGMENT TO FUCE. AUGUST 25, 1962 (R. 9492)

THE COURT: I am afraid I have to make a decision about this time.

I have forgotten the day when the matter first came up, but it did com up substantially in its present form in early 1960 on the motion of the defendant, then Farmers Union, for partial summary judgment. At that time and after that argument I filed a letter opinion indicating that there appeared to be a substantial genuine issue of material fact which would prevent passing on the motion of deciding the motion, and at the same time I state, as I recall, in the letter that National was a necessary party for the reason that any decision in connection with the trademarks would be a lim-

itation, or at least would affect National, the registrant of the mark. Accordingly, National has been brought in, National Cooperatives, Inc., and I think that the record specifically and definitely reflects the relationship, first, in the naature of each one of the three organizations, the plaintiff, defendant and third party defendant in this case, and second, the relationship among the organizations themselves.

Now, as I view the situation it is this: prior to certain dates rights were acquired by individual members of National, that since that time, the exact date I don't think is important, but substantially prior to this particular hearing National became vested with the trademarks and names that we are dealing with here, and it registered these marks as collective marks under the Lanham Act, and I think, as I recall, the Lanham Act prohibits National from competing because they are the registrant, is that correct, Mr. Tullar? They don't manufacture or deliver goods themselves, I mean?

MR. TULLAR: Your Honor, that is not quite correct, we are in the relationship of Sears & Roebuck Company, illustratively. When I say that, we contract, using Mr. Sherwood's example of the tires, and without getting into a controversial area, we contract for tires.

THE COURT: But what I mean is that you, that National does not, itself, enter into the manufacture or the sale of the articles in competition with its members?

MR. TULLAR: No, your Honor.

THE COURT: Now, I indicated in my previous letter that the Lanham Act, I felt, was controlling in this particular case, and I do feel that this is the first opportunity since that time that I have been called upon directly to pass upon the particular questions we have here involved, and I think under the record, the testimony and the depositions which I am taking from the representations made by counsel and the other evidence there in the case,

is sufficient for me now to pass upon the issue of exclusiveness, which is the first thing I would desire to direct attention to.

Now, in the cases cited by both sides, or all three sides in this case, I find that each case seems to be determined by its own particular fact situation. There is no pure black and pure white area in this matter, but most of it is gray, and we can't tell from the reading of the law in a case whether it applies to the particular fact situation we have here. But I have come to the conclusion, gentlemen, that on the issue of exclusiveness I should grant the motion for partial summary judgment, and that is based, primarily, upon these two concepts: first, that the by-laws of National govern its members in their contracts and that, second, no usage, custom or other matter varying the contract could change it; that a definite contract is indicated for an exclusive territory, that is, a contract for exclusive territory will not be presumed or read into a contract. It must be explicit, as it was in the Huber case. There the two instruments were read together, the assignment and the contract, and I think, although the opinion is not available to me in the lower court, the contract was read at first and there was no exclusive provision, but Judge Medina held that the contract and the assignment which contained a reservation of exclusive territory would have to be read together, and so that gave a definite territorial exclusion.

Now, I don't deem necessarily that a contract for exclusive territory would be an illegal contract, but I do feel that in this case there is no substantial or genuine issue of material fact as to the exclusiveness of the territory granted, and it would have to be granted by National. I do not follow Mr. Sherwood's argument or adopt it when he says there are two separate, distinct classes of members, and that the old members carried over into the new organization the rights they had under the existing

or prior by-laws. I don't think that there could be two different and distinct dealings on the same subject matter by a person in a position of National.

There is another reason why I feel that the exclusiveness feature must be decided by the granting of the motion for summary judgment to that extent, and that is that National registered its trademark. Under the Lanham Act it becomes incontestable after five years. That time has expired. National is the owner of the mark and Pacific says it is a licensee. To have Pacific now say that National is limited in its use of the trademark or in its assignment of the trademark by prior user of Pacific would be, in a sense, contesting the trademark registered in the name of National.

And so I feel that a licensee cannot acquire any rights as against its licensor, and for those reasons I am now constrained to grant the motion for summary judgment to that extent.

* * *

(R. 9500)

Now, I read with considerable interest and three or four times Rule 56 and the authorities cited by Mr. Cluck in the original brief, and on what can be done on a motion for partial summary judgment, and perhaps I was in error a year ago when I decided that I did not want to pass on a portion of the case, or pass on it piecemeal. I think that is entirely permissible and I am wondering at this phase of the case since I feel constrained to hold that exclusiveness has not been established and, in fact, it is non-exclusive, whether the plaintiff at this particular phase of the case desires to have an order entered on that phase of the case that would be grounds for an interlocutory appeal?

MR. SHERWOOD: We would prefer, your Honor, that the order, when entered, should be in such a form or posture that we could have a single

record should the case be appealed by either side, and so we could cross-appeal on that if we won on the other issues, or we can appeal on all issues if we did not prevail on the other issues.

THE COURT: In other words, you wouldn't want to appeal on that issue now?

MR. SHERWOOD: I would prefer not. I want to think it over and talk with counsel, but first I would like to inquire, this motion for partial summary judgment is that of FUCE, and I understand you are granting the partial summary judgment to FUCE? National has not filed a motion for partial summary judgment.

THE COURT: Oh, yes, well they have filed a motion and I am granting their motion, too.

MR. SHERWOOD: You are granting their motion, too?

THE COURT: Yes.

MR. SHERWOOD: As a matter of law, based on the complaint?

THE COURT: No, not entirely on the complaint, on the complaint, on the stipulations in evidence, on the minutes and by the by-laws of National and the other evidence that is available in the record.

MR. SHERWOOD: Now, yesterday Mr. Tullar, when he stated that he would like to argue this motion, said that he would assume for the purpose of his argument exclusiveness and still would expect to prevail and get out.

THE COURT: On that phase of the case I am not granting the motion on that ground.

MR. SHERWOOD: I see.

THE COURT: I am granting the motion on the grounds that there is a definite contract, the by-laws are the contract.

MR. SHERWOOD: The by-laws?

ORAL DECISION DISMISSING THIRD PART COMPLAINT—NATIONAL, AUGUST 25, 1961

(R. 9607)

"THE COURT: I have the motions of National at this juncture to pass on. I don't think I care to hear any more argument on this particular question. I call attention to the fact that National has made several motions which cover the same subject matter as the motions made by Farmers Union has in connection with or asking dismissal under Rule 41(b).

Now, I have read with interest the third party complaint which was filed September 28, 1960, almost a year ago after repeated arguments, a long argument here on the first session when the motion for partial summary judgment was presented by Farmers Union, and after a period of time when Mr. Baker, the president of Pacific, was a member of the staff of National and I was, I think, the President or chairman of the board, and he participated in a number of the meetings at which the policy of National was considered.

Now, as I read the third party complaint it adopts the complaint and supplemental complaint. The allegations of the supplemental complaint and the complaint and of the third party complaint refer, in part, to the registration federally of the various trade marks, and talk about Pacific's right by virtue of its user and the custom and practice and the method of treating of the subject by National is entitling it to use the mark exclusively in the areas referred to. I have held that there is no exclusive user granted to Pacific, that they have no territory and that National, therefore, has not granted any rights and that under the registration National is entitled to the ownership and the control of the marks and the name.

Now, I fail to see in plaintiff's third party com-

plaint any allegation, sweeping charges of conspiracy and fraud, that they make now against National, and I think that after repeated pre-trial conferences and after repeated opportunities of the plaintiff to consider his third party complaint in the light of the fact that a complaint such as that should contain the allegations with which the plaintiff expects to charge the third party defendant, that I should grant the motion of National to dismiss and I do so, both granting the motion under 41(b) and the motion which is made August 15 and noted for argument day before yesterday in which they say:

> "That there has been no actionable wrongful inducement to cause member cooperatives of plaintiff to breach their membership contract and to dismiss all claims based upon such contention."

And not as part of the pre-trial but as part of the motions and as part of the motions directed to the pleadings and as part of the motion, and partly on a motion for relief under 41-B, I feel that this matter has approached a phase that leads me to believe that unless there is a definite limitation of issues and charges and counter-charges, that this case will get far beyond any possible realm in which human endeavor can limit it, and so I feel that it is necessary under the circumstances to do that and, accordingly, the motion is granted and National is dismissed.

Now, that leaves just one thing in the case, or two, rather, the issue in connection with inducement and the injunction against Farmers Union. . ."

ORDER AND JUDGMENT

(R. 1246)

The Court having jurisdiction over the parties and the subject matter of the above entitled action, the ac-

tion was, after hearing November 22, 1960 and by Order duly entered, considered under the provisions of the Handbook of Recommended Procedure for the Trial of Protracted Cases Adopted by the Judicial Conference of the United States 1960. Subsequent thereto, the Court devoted in pretrial hearings and conferences of the parties at the direction of the Court, the following periods: February 8 and 9, 1961, April 21, 1961, May 15 through 19, 1961, June 14 through 16, 1961, July 5 through 7, 1961, August 23 through 26, 1961. Said pre trial hearings and conferences included statements of the parties of position and contentions on issues classified by the Court; reduction of certain matters to agreed statements of fact in the record and stipulations filed of record; and, the consideration of exhibits proposed by plaintiff in proof of Plaintiff's case. There were pending before the Court on pre trial calendar August 24, 25 and 26, the following motions and matters:

DEFENDANT'S MOTIONS

(1) Motion for Partial Summary Judgment.

(2) Motion for Adjudication of Legal Issues and Dismissal of Claims.

THIRD PARTY DEFENDANT'S MOTIONS

(1) Motion to Dismiss Under Rule 41 (b).

(2) Motion to Determine Issues of Exclusiveness and for Dismissal of Claims Based Thereon.

(3) Motion to Determine Issue of Trademark Infringement and Pendent Unfair Competition and Dismissal of Claims Based Thereon.

(4) Motion to Determine Issue of Inducement of Breach and to Dismiss Claims Based Thereon.

(5) Motion to Strike Plaintiff's Request for Admission of Facts and Genuineness of Documents ments and to Admit Exhibits into Evidence.

The Court has considered the matters before it in the course of all pre trial conferences and hearings, as covered by transcripts herein, including the entire record and all matters properly a part thereof. The Court has ascertained that the facts existing without substantial controversy are set forth in the filed stipulations of the parties, in the agreed statements of fact in the record and in the filed admissions. The Court has considered further the cited cases, the record upon the Motion of the Defendant for partial summary judgment as renewed, the oral argument of counsel on all matters and the briefs on file. Being fully advised in the premises, the Court NOW THEREFORE, MAKES AND ENTERS THE FOLLOWING ORDER

(1) That after taking the matter under advisement, Third Party Defendant's Motion to Dismiss under Rule 41(b) be and the same is granted as to, and, Third Party Defendant is dismissed as to, the claims of the Plaintiff based upon inducement to breach of contract, fraud, aiding and abetting and conspiracy and Third Party Defendant's Motion to Determine Issue of Inducement of Breach and for Dismissal of Claims Based Thereon be and the same is hereby granted, for the reason that the Third Party Complaint is inadequate to charge the Third Party Defendant with any claim on account thereof; the Plaintiff's Statement of Issues and

Contentions made in the course of pre trial proceedings are inadequate to state any claim against the Third Party Defendant on account thereof: Plaintiff's Amended Third Party Complaint offered in the course of pre trial proceedings and denied, is inadequate to state any claim against Third Party Defendant on account thereof: there is no genuine issue of material fact thereon: the General Manager and Secretary of Plaintiff corporation has from the time of inception of this action and before been the president of the Third Party Defendant corporation and matters relating to such issues of inducement to breach, fraud, aiding, abetting, and conspiracy, were known to Plaintiff at the time of the original Complaint and the Supplemental Complaint and before the filing of the Third Party Complaint and at all times during pre trial proceedings and conferences: assertions made on behalf of Plaintiff on oral motion for leave to amend at the time of hearing herein, which motion is hereby denied, are inconsistent with the record as made by Plaintiff by its pleadings, its Statement of Contentions and its representations in connection with pre trial proceedings herein.,

(2) Defendants' motion for Adjudication of Legal Issues and Dismissal of Claims, considered as a renewal of the Defendant's Motion for Partial Summary Judgment, be and the same is hereby granted as to the issue of exclusiveness and the related issues of Trademark Infringement and Pendant Unfair Competition. Third Party Defendant's Motion to Determine Issue of Exclusiveness and for Dismissal of Claims Based Thereon be and

the same is hereby granted, and Third Party Defendant's Motion to Determine Issue of Trademark Infringement and Pendant Unfair Competition and for Dismissal of Claims Based Thereon be, and the same is hereby granted. The Court determines and adjudicates: the Third Party Defendant is the owner of all trademarks and tradenames in issue: Plaintiff is a licensee of Third Party Defendant: as such a licensee Plaintiff cannot acquire adverse rights against its licensor: the rights of Third Party Defendant are incontestable under the Lanham Act: Plaintiff has only such rights in trademarks and tradenames of the Third Party Defendant as are granted by the Articles and By-Laws of Third Party Defendant which grant to all members of Third Party Defendant equal and non-exclusive rights: Plaintiff has failed to produce or show in the course of pre trial proceedings any matter which would vary or change such non-exclusive rights or raise any genuine issue of material facts thereon: the issues of Trademark and Tradename Infringement and Pendant Unfair Competition or Pendant Unfair Trading, are governed by the Laham Act.

(3) The Court specifically finds and determines that judgment should be entered immediately as to one or more, but fewer than all, of the claims or parties and that there is no just reason for delay: further, that there is no genuine issue of material fact as to any of the matters covered by such judgment. The Court accordingly directs entry of final judgment and does hereby enter judgment as follows:

IT IS ORDERED AND ADJUDGED that the Third Party Complaint be and the same is hereby dismissed with prejudice and that Third Party Defendant recover its costs in the amount of Dollars ($) to be taxed as provided by law.

IT IS FURTHER AND FINALLY ORDERED AND ADJUDGED that Counts XI and XIII of the Complaint and Supplemental Complaint be and the same are hereby dismissed with prejudice, and,

IT IS FURTHER ORDERED that all further proceedings in the above entitled matter be and the same are hereby stayed pending any appeal from this Order and final judgment.

APPROVED, Clerk is directed to enter.

DONE IN OPEN COURT this 21st day of February, 1962.

/s/ CHARLES L. POWELL,
Judge of the United States
District Court.

Judgment Entered in Civil Docket on 2/23/62 el.

EXHIBIT C

U. S. CONSTITUTION — DUE PROCESS

"No person shall . . . be deprived of life, liberty, or property, without due process of law . . ."

U.S.C.A. Const. Amend V. . . . p 297; and annotations 488, 524, 616, 636, 642

LANHAM ACT, GENERALLY (July 5, 1946, c. 540, Title I, § 1, 60 Stat. 427)

15 U.S.C. 1051 and following, effective July 5, 1947.[1]

"§1054 Collective marks . . . registrable

"Subject to the provisions relating to the registration of trade-marks, so far as they are applicable, collective and certifications marks, including indications of regional origin used in commerce, shall be registrable under this chapter, in the same manner and with the same effect as are trade-marks, by persons, . . . exercising legitimate control over the use of the marks . . . , even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trade-marks, except when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. . . ."

(Lanham Act, Section 4)

"§1055. Use by related companies . . .

"Where a registered mark or a mark sought to be registered is or may be used legitimately by related companies, such as shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its resgistration, and such use shall not affect the validity of such mark or of its registration, provided such mark is not used in such manner as to deceive the public. . . ."

(Lanham Act, Section 5)

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[1] Amended Oct. 9, 1962, Pub. Law 87-772, sec. 1, 76 Stat. 769.

"§1065. Incontestability of right to use mark under certain conditions

"Except on a ground for which application to cancel may be filed . . . under . . . section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State . . . by use of a mark or trade name continuing from a date prior to the date of the publication under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: PROVIDED, That—

. . . . . .

"(2) there is no proceeding involving said rights pending in the Patent Office or in a court and not finally disposed of; and

"(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period . . .

. . . . . .

"Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under . . . the Act of February 20, 1905, upon the filing of the required affidavit . . . under the provisions of subsection (c) of section 1062 of this title."

(Lanham Act, Section 15)

"§1127. Construction and definitions;

"In the construction of this chapter, unless the contrary is plainly apparent from the context —

"The terms 'applicant' and 'registrant' embrace the legal representatives and successors and assigns of such applicant or registrant.

"The term 'related company' means any person who legitimately controls or is controlled by the registrant or applican. for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

"The term 'trade-mark' includes any word, name, symbol or device or any combination thereof adopted and used by a manufacturer or merchant to identify his goods and distinguish them from those manufactured or sold by others.

"The term 'collective mark' means a trade-mark or service mark used by the members of a cooperative, an association or other collective group or organization and includes marks used to indicate membership in a union, an association or other organization.

"The term 'mark' includes any trade-mark, service mark, collective mark, or certification mark entitled to registration under this chapter whether registered or not.

" . . . a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.

"A mark shall be deemed to be 'abandoned' —

"(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

"(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin.

"The term 'colorable imitation' includes any mark which so resembles a registered mark as to be

likely to cause confusion or mistake or to deceive purchasers.

"The term 'registered mark' means a mark registered . . . under this Act or under . . . the Act of February 20, 1905, or the Act of March 19, 1920 . . .

" . . . as amended.

"The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks . . . : to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names and unfair competition entered into between the United States and foreign nations. . . ."

(Lanham Act, Section 45)

The following sections of the Lanham Act are found in notes under 15 U.S.C. 1051, pp. 292-293 (60 Stats. 427)

"REPEAL OF PREVIOUS ACTS.

"(a) This Act shall be in force and take effect effective one year from the enactment hereof. . . . one year from its enactment. . . All Acts and parts of Acts inconsistent herewith are hereby repealed PROVIDED, That this repeal shall not effect the validity of registrations granted or applied for under any of said Acts prior to the effective date of this Act, or rights or remedies, thereunder except as provided in Sections 8, 12, 14, 15, and 47 of this Act: . . .

"(b) Registrations now existing under the Act . . . of February 20, 1905, shall continue in full force and effect for the unexpired terms thereof and may be renewed under the provisions of Section 9 of this Act . . . subject to and shall be entitled to the

date of this Act, or twenty years from the dates of benefits of the provisions of this Act . . . except as limited in sections 8, 12, 14, and 15 of this Act. . . . Registrations now existing under the Act of March 19, 1920, shall expire six months after the effective their registrations, whichever date is later. . . . Marks registered under previous Acts may, if eligible, also be registered under this Act."

(Lanham Act, Section 46)

"(a) All applications for registration pending . . . at the effective date of this Act may be amended, if practicable, to bring them under the provisions of this Act. . . . If such amendments are not made, the prosecution of said applications shall be proceded with and registrations thereon granted in accordance with the Acts under which said applications are filed, and said Acts are hereby continued in force to this extent . . ."

(Lanham Act, Section 47)

"Nothing herein shall adversely effect the rights or the enforcement of rights in marks acquired in good faith prior to the effective date of this Act."

(Lanham Act, Section 49)

"Approved July 5, 1946"

(Effective under Section 1128 U.S.C. July 5, 1947 — Lanham Act, Section 46)

FEDERAL RULES OF CIVIL PROCEDURE

"Rule 16. PRE-TRIAL PROCEDURE: FORMULATING ISSUES.

"In any action, the court may in its discretion direct the attorneys for the parties to appear before it for a conference to consider

(1) The simplification of the issues;

(2) The necessity or desirability of amendments to pleadings;

(3) The possibility of obtaining admissions of fact and of documents which will avoid unnecessary proof;

(6) Such other matters as may aid in the disposition of the action.

"The court shall make an order which recites the action taken at the conference, the amendments allowed to the pleadings, and the agreements made by the parties as to any of the matters considered, and which limits the issues for trial to those not disposed of by admissions or agreements of counsel; and such order when entered controls the subsequent course of the action, unless modified at the trial to prevent manifest injustice. . . ."

F.R.C.P. Rule 16, 28 U.S.C. pp. 591-592.

"Rule 41. DISMISSAL OF ACTIONS.

"(a) . . .

"(b) INVOLUNTARY DISMISSALS EFFECT THEREOF. . . . After the plaintiff has completed the presentation of his evidence, the defendant, without waiving his right to offer evidence in the event the motion is not granted, may move for a dismissal on the ground that upon the facts and the law the plaintiff has shown no right to relief. In an action tried by the court without a jury the court as a trier of the facts may then determine them and render judgment against the plaintiff or may decline to render any judgment until the close of all the evidence. If the court renders judgment on the merits against the plaintiff, the court shall make findings as provided in Rule 52(a). Unless the court in its order for dismissal otherwise specifies, a dismissal under this subdivision and any dismissal not provided for in this rule, other than a dismissal for lack of jurisdiction or for improper venue, operates as an adjudication upon the merits. . . .

"(c) DISMISSAL OF . . . THIRD PARTY CLAIM. The provisions of this rule apply to the dismissal of any . . . third-party claim. . . ."

F.R.C.P. 41(b), (c), 28 U.S.C. pp. 203, 204.

"Rule 52. FINDINGS BY THE COURT.

"(a) EFFECT. In all actions tried upon the facts

without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon and direct the entry of the appropriate judgment: . . . Requests for findings are not necessary for purposes of review. Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. . . . Findings of fact and conclusions of law are unnecessary on decisions of motions under Rules 12 or 56 or any other motion except as provided in Rule 41(b) . . .

"(b) . . . the question of the sufficiency of the evidence to support the findings may thereafter be raised whether or not the party raising the question has made in the district court an objection to such findings or has made a motion to amend them or a motion for judgment."

F.R.C.P. Rule 52 28 U.S.C. pp. 14-15.

"Rule 56. SUMMARY JUDGMENT.

"(b) FOR DEFENDING PARTY. A party against whom a claim . . . is asserted . . . may, at any time, move with or without supporting affidavits for a summary judgment in his favor as to all or any part thereof.

"(c) MOTION AND PROCEEDINGS THEREON. The motion shall be served at least 10 days before the time fixed for the hearing. The adverse party prior to the day of hearing may serve opposing affidavits. The judgment sought shall be rendered forthwith if the pleadings, depositions, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. A summary judgment, interlocutory in character, may be rendered on the issue of liability alone although there is a genuine issue as to the amount of damages. . . .

"(d) CASE NOT FULLY ADJUDICATED ON MOTION.

If on motion under this rule judgment is not rendered upon the whole case or for all the relief asked and a trial is necessary, the court at the hearing of the motion, by examining the pleadings and the evidence before it and by interrogating counsel, shall if practicable ascertain what material facts exist without substantial controversy, and what material facts are actually and in good faith controverted. It shall thereupon make an order specifying the facts that appear without substantial controversy . . . and directing such further proceedings in the action as are just. Upon the trial of the action the facts so specified shall be deemed established, and the trial shall be conducted accordingly.

"(e) FORM OF AFFIDAVITS; FURTHER TESTIMONY. Supporting and opposing affidavits shall be made on personal knowledge, shall set forth such facts as would be admissible in evidence, and will show affirmatively that the affiant is competent to testify to the matters stated therein. Sworn or certified copies of all papers or parts thereof referred to in an affidavit shall be attached thereto or served therewith. The court may permit affidavits to be supplemented or opposed by depositions or by further affidavits.

"(f) WHEN AFFIDAVITS ARE UNAVAILABLE. Should it appear from the affidavits of a party opposing the motion that he cannot for reasons stated present by affidavit facts essential to justify his opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just."

F.R.C.P. Rule 56, 28 U.S.C. pp. 302-304.

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In the
Supreme Court of the United States

OCTOBER TERM, 1963

No. 545

PACIFIC SUPPLY COOPERATIVE, an Oregon Cooperative Corporation, *Petitioner*,

vs.

FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, a Minnesota Corporation, and

NATIONAL COOPERATIVES, INC., a District of Columbia Corporation, *Respondents*.

BRIEF OF FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, IN OPPOSITION TO PETITION FOR CERTIORARI

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In the

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PACIFIC SUPPLY COOPERATIVE, an Oregon Cooperative Corporation, *Petitioner*, vs. FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, a Minnesota Corporation, and NATIONAL COOPERATIVES, INC., a District of Columbia Corporation, *Respondents*.	No. 545

BRIEF OF FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, IN OPPOSITION TO PETITION FOR CERTIORARI

INTRODUCTION

Petitioner, Pacific Supply Cooperative, and Respondents, Farmers Union Central Exchange and National Cooperatives, Inc., will be hereinafter referred to respectively as Pacific, FUCE, and National.

Pacific's Questions and Statement of the Case violate Rule 23(4) of this Court in that they have not been presented with accuracy, brevity and clearness. These matters will be considered under the heading "Pacific's Petition Should Be Denied for Flagrant Violation of Court Rules and Orders," following the Restatement of the Case.

RESTATEMENT OF THE CASE

The following is a restatement of the case based solely upon stipulated and admitted facts and upon the proceedings as shown by the record.

In January, 1959, Pacific instituted suit against FUCE

for trademark infringement, pendent unfair competition and inducement to breach contract (R. 1-72; 193-200). Both parties are regional wholesale cooperatives (R. 9017-9019) and members of National (R. 9015-9016). National is a cooperative composed of twenty-six regionals with equal rights (R. 9016-9017). It was brought into the case after Pacific filed a Third Party Complaint on September 28, 1960 (R. 459-546).

Substantive

National is the record owner of United States registrations of "Co-op" (R. 919-934).[1] These registrations are incontestable (R. 272-273; 228; 1316; 8925). National also owns state registrations, including many in Idaho, Washington and Oregon (R. 930-932; 9021-9022; 1456). National and its predecessors in title have used the mark continuously and maintained registration of it since 1924 (R. 9021-9022; 1456). Pacific was organized in December, 1933 (R. 9016). National's predecessors assigned to it all their right, title and interest to the mark, the registrations and the goodwill of the business symbolized thereby (R. 929; 933).

The bylaws and minutes which were stipulated are fully set forth (R. 742-866). The 1944 and 1946 bylaws relating to trademarks were passed unanimously with Pacific present (R. 769, 770).

Pacific admitted that members of National at no time arrived at any agreement for division of territory (R. 8886-8887). Pacific admitted that there is no document granting to it exclusive rights to National's trademarks (R. 9030-9031).

---

[1] Neither Pacific nor FUCE used any other trade marks referred to by Pacific (R. 9022-9023; 1457; 318 F.2d at 909).

Procedural

Between commencement of suit and National's entry into the case, FUCE supplied Pacific with hundreds of pages of answers to interrogatories (R. 126-192; 575-606; 607-741). Almost 3000 pages of depositions were taken (R. 3039-5304; 6132-6831). On March 4, 1960, a motion by FUCE for partial summary judgment was argued (R. 8839-8997). Pacific filed no affidavit under F.R.C.P. 56(f) claiming it was unable to present facts to justify opposition. On September 28, 1960, FUCE's motion was denied except that as to trademark infringement and pendent unfair competition Pacific's claims were to be dismissed unless National was joined as an indispensable party (R. 453; 456) because a decision concerning the trademarks would limit or affect its rights therein (R. 9493). Pacific's Third Party Complaint incorporating by reference the Complaint and Supplemental Complaint followed (R. 459).

In January, 1961, the court commenced controlling discovery under the *Handbook of Recommended Procedures for the Trial of Protracted Cases*, 25 F.R.D. 351 (R. 570-572). The court stated that discovery would be allowed on application and a proper showing of any party (R. 8999; 9232-9233; 9295). Pacific's only claim to an application is contained at page 169 (R. 1178) of its 110-page "Plaintiff's Requests for Admission of Facts and Genuineness of Documents and to Admit Exhibits into Evidence" (R. 1069-1179). This was stricken for violation of court order (R. 1244; 1233-1235; 9319). This striking was approved by the Court of Appeals (318 F.2d 894 at 911). During pre-trial hearings and conferences of the parties under court direction, extensive facts were stipulated (R. 742-910; 919-934; 1451-1469; 1709-3038; 9009-9029; 9208-9211), issues defined (R. 9082-9083; 9236), and legal matters determined. These hearings and conferences were held February 8 and 9, 1961,

April 21, 1961; May 15-19, 1961, June 14-16, 1961, and July 5-7, 1961 (R. 1242).

Thereafter FUCE (R. 1187) and National (R. 1184-1186) filed Motions for Adjudications of Legal Issues and for Dismissal Pursuant to Rule 41(b) (R. 1218; 1236). FUCE's motion was directed, in part, to Pacific's claims of exclusive trademark rights and infringement (R. 1187-1190; 1191-1192) as it had been in March, 1960 (R. 220-221). The district court treated FUCE's motion as a renewal of its prior motion for partial summary judgment (R. 1248).

As in March, 1960, the record discloses no affidavit by which Pacific claimed it was unable to present facts to justify opposition to the motion.

FUCE's motion, while denied as to some issues (R. 1244), was granted as to exclusiveness, trademark infringement and pendent unfair competition (R. 1248). The district court entered its partial summary judgment. In so doing it held, *inter alia*, that there was no genuine issue of material fact; that National owned the trademarks; that its members, including Pacific, have equal, nonexclusive rights therein as granted by National's articles and bylaws; that Pacific as a licensee could not acquire adverse rights against National, its licensor; that the Lanham Act governs the issues of trademark and trade name infringement and pendent unfair competition; that National's rights are incontestable under that Act; and that Pacific failed to produce or show in pretrial anything that would vary or change its nonexclusive rights or raise any genuine issue of material fact thereon (R. 1249).

The judgment was affirmed by the Court of Appeals (318 F.2d 894). It noted that Pacific, while denying that stipulated facts were controlling, in no way disputed their correctness (318 F.2d at 896):

REASONS FOR DENYING THE WRIT

PACIFIC'S PETITION SHOULD BE DENIED FOR FLAGRANT VIOLATION OF COURT RULES

Rule 23(4) of this Court provides:

> "The failure of a petitioner to present with accuracy, brevity and clearness whatever is essential to a ready and adequate understanding of the points requiring consideration will be a sufficient reason for denying his petition."

Rule 23(1) requires that the petition contain:

> "(c) The questions presented for review, expressed in the terms and circumstances of the case . . . " and
>
> "(e) A concise statement of the case containing the facts material to the consideration of the questions presented."

Pacific's Violation of This Court's Rules Should Be Viewed in the Context of Prior Violations of Court Rules and Orders

In *Link v. Wabash Railroad Company* (1962), 370 U.S. 626, this Court held that a district court properly dismissed a civil action where plaintiff's counsel failed to appear at a pre-trial hearing set by order of the court. On appeal from a judgment of the Court of Appeals affirming the district court, the Supreme Court affirmed, holding that the district court properly evaluated counsel's violation of the order in the context of his prior conduct in the case.

Pacific's petition comes to this Court after the Court of Appeals devoted three paragraphs of its decision to severe criticism of Pacific's violation of its rules (318 F.2d at 807). In its Petition for Rehearing (Doc. 10, p. 5, n. 2)[1] Pacific requested that these paragraphs "be moderated." This petition was denied in its entirety (Doc. 11).

[1] "Doc." refers to document number in the Supreme Court; "Pet." refers to the Petition for Certiorari.

Pacific Has Misstated the Proceedings Before the District Court in Making Its Charge of Denial of Discovery

In its Question 1, Pacific refers to the district court's "having denied needed discovery as well as right to complete its presentation of evidence at hand." In Question 3, Pacific refers to pre-trial "where discovery had been stayed and plaintiff had not completed presentation of its evidence." The statements are misleading (Pet. 2-3).

Other similar references in Pacific's petition to the same effect are: that depositions of "officers and directors of National . . . were sought by Pacific and stayed by the Court" (p. 13); that "full discovery" was never permitted (p. 17); and that Pacific was not

> "given full opportunity to present all of its available evidence or fully complete discovery which had been frustrated by the Court's stay of discovery while proceeding under the Handbook Rules." (p. 28)

On January 23, 1961, the court entered an order providing that the action be handled pursuant to the *Handbook of Recommended Procedures for the Trial of Protracted Cases* (25 F.R.D. 351). It provided in its order that discovery proceedings should be placed under its control and stayed pending further order of the court (R. 570-571).

The court then stated on several occasions that it would entertain an application for discovery upon a proper showing of need therefor by any party[3] (R. 8999; 9232-9233; 9295).

No such application for discovery ever was made by Pa-

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[3] On August 24, 1961, the Court stated:

"Mr. Sherwood, you keep coming back. I am not going to talk about discovery to you because you haven't made an application for discovery. I have told you all along any time you had to have discovery you should come in and request discovery. Have you done it?" (R. 9295)

cific thereafter. The only claim that Pacific can make is that it included some vague and general language at page 109 (R. 1178) of a 110-page document entitled "Plaintiff's Requests for Admissions of Fact and Genuineness of Documents and to Admit Exhibits Into Evidence" (R. 1069-1179). This constituted, and was presented as, a discovery document, pursuant to F.R.C.P. Rule 36 (R. 1069), in direct violation of the district court's directions, and was stricken for that reason (R. 1244; 1233-1235; 9319). The Court of Appeals referred to this as having been "clearly filed in violation of the trial court's orders" (318 F.2d at 911).

Pacific Makes Numerous Record References in Support of Its Petition Herein to a Document Stricken by the District Court Without So Informing This Court, After Having Been Criticized for Doing the Same Thing by the Court of Appeals

The Court of Appeals in commenting upon Pacific's brief stated in its decision:

> "There are * * * references to documents stricken from the record by the trial court without reference to the court's having so ruled. (318 F.2d at 895)
>
> * * *
>
> "We hold * * * that in striking Pacific's 'request for Admission and Genuineness of Documents and to Admit Exhibits into Evidence' (clearly filed in violation of the trial court's orders) the trial court acted properly." (*Id.* at 911).

In its petition to this Court, Pacific follows the same practice censured by the Court of Appeals. *It refers to the stricken Request for Admissions in the same manner as though all admissions requested therein actually had been made by FUCE.* Nowhere in its petition to this Court does Pacific state that the time required under Rule 36 had not elapsed or that prior thereto the document had been stricken

for having been filed in violation of the district court's order. Pacific refers to the stricken document as support for claimed factual statements 22 times in its 11-page "Statement of the Case" (Pet. 6, 8, 9, 14). The same use was condemned by the Court of Appeals where it occurred 49 times in a 31-page statement of the case (Pacific's Brief, Doc. 1, pp. 9, 11, 12, 17, 18, 19, 20, 22, 23, 24, 28, 29, 30, 34, 35, 36, 37).

There Are Additional, Material, Misstatements in the Petition

There are additional misstatements of material fact in Pacific's petition. The following is illustrative:

> "During these hearings, both FUCE and National obtained desired stipulations from Pacific (R. 1451-1460) *with the understanding* that such were to be considered only tentative until all stipulations were incorporated into a final pre-trial order (R. 9210-9214)." (Italics ours)

Pacific's record references cited in the quotation do not evidence the "understanding" mentioned, which was nonexistent. Examination of R. 9210-9214 discloses that Pacific raised one question in July, 1961, about Paragraph 7 of the stipulation agreed upon in April, 1961 (R. 9009-9029; 9210-9214). Pacific's counsel ended the matter stating: "That was our only concern that we were agreeing on equal rights and membership rights we are talking about" (R. 9214).

Pacific made similar statements in its presentation to the Court of Appeals. That Court comments thereon:

> "On page 9325, Mr. Sherwood stated he contended that stipulations made by dictation into the record were not a part of the record 'until we complete the stipulations.' The trial court, and we think with reason, felt that the stipulations were complete when made,

and competent to establish sufficient facts to create issues of law based on such determined facts." (318 F.2d at 904, n. 2; see also 903, n. 2)

The following lists some additional statements of purported fact in Pacific's statement of the case which are unsupported in whole or in part by the record references cited (line numbers are determined by counting each line of printing except the page number line):

Page	*Line*	*Page*	*Line*
5	26-28	8	6-9
6	14-17	8	10-13
6	17-18	8	13-17
6	18-20	8 to	30 to
6	26-29	9	2
6 to	30 to	10	14-17
7	4	10	17-20
7	10-12	14	16-20
7	17-21	15	9-10
8	3-5		

Pacific was censured for inadequate record references in the Court of Appeals (318 F.2d at 895 and n. 2 at 902-904).

Pacific's Violation of District Court's Orders Made Pre-Trial Virtually Unworkable

On July 6, 7, 1961, Pacific confronted the court with about 800 documents (R. 935-962) which caused the court to state that it was "appalled at the length of this list" (R. 9146). The court directed Pacific to point out the relevancy and materiality of each exhibit pursuant to the *Handbook*, 25 F.R.D. 351 (R. 9193; 9197-9200), in relation to the defined issues (R. 9233-9237; 9082; 9236). Pacific agreed to the order, volunteering how it would comply therewith (R. 9217). On August 1, 1961, Pacific filed an index listing about

500 additional documents (R. 963-984) together with a document (R. 9372-9374) which, as Pacific admitted, failed to comply with the court's directive on relevancy (R. 9622-9623; 9399-9403). The court indicated that pre-trial procedure was becoming virtually unworkable (R. 9407) and ordered the document stricken (R. 1244).

There can be no question about the justice of the court's order that plaintiff furnish a statement of relevancy and materiality of its exhibits as a prerequisite to the court's consideration of them. *Berger v. Brannan* (CA-10), 172 F.2d 241, *cert. den.*, 337 U.S. 941 (1949); *McDonald v. Bowles* (CA-9, 1945), 152 F.2d 741; *United States v. United Shoe Machinery Corp.* (D. Mass. 1950), 93 F.Supp. 190; *Pursche v. Atlas Scraper & Engineering Co.* (CA-9), 300 F.2d 467, 488, *cert. den.*, 371 U.S. 911 (1962).

Argument Is Included in the Statement of the Case

Finally, Pacific violates the rules of this Court by including argument in its statement of the case (Pet. 9, 10, 13, 14, 15). Pacific similarly had violated corresponding rules of the Court of Appeals, causing the court to comment:

> "Appellant's factual statement is marred by frequent references to rulings of the trial judge which it alleges were improper or inconsistent, *interspaced with argument* and criticism direct and implied relative to such rulings, and the alleged merits of its case." (Italics ours) (318 F.2d at 895)

PACIFIC HAS SHOWN NO BASIS FOR GRANTING THE WRIT UNDER RULE 19

Pacific makes no claim that the Court of Appeals "has decided an important state or territorial question in a way in conflict with applicable state or territorial law," or that it "has decided a federal question in a way in conflict with applicable decisions o this court."

There Is No Conflict with Any Other Court of Appeals

The only basis suggested by Pacific for asserted conflict is *Huber Baking Co. v. Stroehmann Bros. Co.* (CA-2), 252 F.2d 945, *cert. den.*, 358 U.S. 829 (1958). The Court of Appeals below distinguished its decision from *Huber* very carefully (318 F.2d at 907-908).

The essential factual distinctions can be simplified if Huber and Pacific are viewed on the one hand as licensees, and, on the other hand, Quality Bakers of America Cooperative and National as licensors. Huber was the original registered owner, Pacific was not; National at all times has been the registered owner. *Pacific made no reservation as to any rights to the trademark which it may have claimed.* In contrast, Huber made an explicit, written reservation for the use of his trademark in prescribed territory. See the text thereof in 252 F.2d 945 at 950.

Also, the Court of Appeals below decided that upon the undisputed, stipulated facts, Pacific was subject to estoppel *in pais* in claiming any rights of user adverse to National's exclusive rights (318 F.2d 894 at 906). No factual situation giving rise to such estoppel was presented in *Huber*.

The Court of Appeals Has Not Decided Any Important Question of Federal Law Which Has Not Been, But Should Be, Settled by This Court

To justify review for the settlement of an important question of Federal law, it is incumbent upon Pacific to show that the instant case presents issues which are important to the public as distinguished from the parties involved. Pacific seems to recognize its burden for it devotes several pages to the heading:

> "Business demands of the nation require this Court to clarify the rights and status of a 'related company'

as to a registrant of a 'collective' mark under the Lanham Trademark Act." (Pet. 25)

Pacific contends that it is "highly important to the business community of the Nation that this Court put to rest the uncertainty of the rights of a 'related company.' . . ." *(ibid.)*.

The only provisions of the Lanham Act to which Pacific refers are: 15 U.S.C. §1054, relating to collective trademarks; 15 U.S.C. § 1065, relating to incontestability of right to use marks; 15 U.S.C. § 1055, relating to their use by related companies and 15 U.S.C. § 1127 relating to the definition of such companies.

Since the passage of the Lanham Act in 1946, there have been only isolated cases dealing with any of these sections. Pacific has pointed to no litigation relating to them now pending. There is no conflict among the few cases so far adjudicated.

Pacific speaks of "confusion" (Pet. 26) but reveals no source for it other than its own argument.

Under separate headings, below, we shall show (1) that the decision of the Court of Appeals is fully supported by principles of the common law, wholly apart from the Lanham Act, and (2) that the Court of Appeals correctly construed the Lanham Act.

There Was No Departure from the Accepted and Usual Course of Judicial Proceedings

Pacific's claim is that the Court of Appeals sanctioned a departure by the district court from the accepted and usual course of judicial proceedings in affirming its partial summary judgment despite the asserted existence of a genuine issue of material fact. We take this contention up under the heading following.

PETITIONER PRESENTS NO BASIS FOR A WRIT BECAUSE OF ASSERTED EXISTENCE OF MATERIAL FACT REQUIRING REVERSAL OF PARTIAL SUMMARY JUDGMENT

There are several, independent reasons for this conclusion.

Ordinarily This Court Will Not Review an Application of a Rule of Civil Procedure When Affirmed by the Court of Appeals

This principle is expressed in *Appalachian Power Co. v. American Institute of C.P.A.* (1959), 4 L.ed.(2d) 30, 80 S.Ct. 16. Denying an application for an order staying the mandate of a Court of Appeals on its judgment affirming a summary judgment for respondents entered by a district court, Justice Brennan stated:

> "But ordinarily an application by a District Court of the Rules of Civil Procedure when affirmed by the Court of Appeals will not be reviewed by this Court. This is particularly true where, as here, the question is one that concerns the judgment of the District Judge in relation to a particular set of facts." (*Id.* at 18)

The quoted language is particularly applicable in this case, where Pacific seeks to have this Court evaluate factual matters under Rule 56 despite the rulings of the two lower courts.

Pacific's Argument Really Narrows Down to Contention That If Given More Time It Could Pose a Genuine Issue of Material Fact; Rule 56(f) Applies

This case is almost unique in that all operative facts adequate to support the decision of the Court of Appeals were presented to that court in a series of stipulations and other admissions (R. 742-910; 919-934; 1709-3038; 1451-1460; 9009-9029, 9208-9211). This is far different from a record which turns upon affidavits, in whole or in part.

Pacific's petition when closely examined does not present any significant contention that the decision of the Court of Appeals is incorrect when viewed upon the basis of the facts in the stipulations and other admissions as interpreted by that Court. Pacific would like this Court to prefer Pacific's interpretation of the stipulations and admissions to that of the Court of Appeals. Pacific, too, would like this Court to adopt its view of the common law.

Pacific's position really amounts to the contention that if given more time it could obtain facts sufficient to present a genuine issue of material fact. We have emphasized under the heading "Pacific Has Misstated the Proceedings Before the District Court in Making Its Charge of Denial of Discovery" that Pacific was given full opportunity to apply for additional discovery but did not do so. In addition, Rule 56(f) applies most forcibly. Pacific failed to file any affidavit required for a continuance under Rule 56(f) at the hearing on FUCE's motion for partial summary judgment in March, 1960 (R. 883-897). Nor did it do so at the hearing on the renewal of the motion in August, 1961, despite the fact that the issues at both hearings were identical (R. 1187-1190; 1191-1192; 220-221; 1248; 883-897; 9284-9642). Therefore, its claim to more time is not properly before this Court.

The Decision Is Fully Supported Under the Law of Contracts, as Applied to National's Bylaws

The decision of the Court of Appeals is supported, as a matter of law, upon several alternate grounds. The first of these is the law of contracts as applied to the bylaws of National. Both courts below construed these to permit equal nonexclusive use of National's trademarks by Pacific, FUCE and all other members of National (318 F.2d at 904-905, 907, 910).

All pertinent bylaw provisions were stipulated (R. 750, 769, 779); they are set forth by the Court of Appeals in its decision (318 F.2d at 901, 904-905).

As a matter of the common law of contracts, the bylaws of National relating to trademarks, when adopted in 1944 with the admitted participation of Pacific, superseded any prior arrangement between the parties on the subject. In addition to *Stevenot v. Norberg* (CA 9, 1954), 210 F.2d 615, are: *State ex rel. Scholblom v. Anacortes Veneer, Inc.* (1953), 42 Wn.(2d) 338, 255 P.(2d) 379; *Order of United Commercial Travelers of America v. Smith* (CA 7, 1911), 192 Fed. 102, 104; 8 Fletcher, *Cyclopedia of Corporations*, § 4177, p. 663, § 4188, p. 719. These bylaws, like any other contract, are to be construed strictly against any grant of exclusive territory. *Parkway Baking Company v. Freihofer Baking Company* (CA 3, 1958), 255 F.2d 641, 647; *Duluth Electric Co. v. Suburban Electric Development Co.* (1938), 332 Pa. 129, 2 A.(2d) 765; *J. I. Case Threshing Machine Co. v. Wright Hardware Co.* (1910), 61 Tex. Civ. App. 481, 130 S.W. 729; *Golden Gate Packing Co. v. Farmers' Union* (1880), 55 Cal. 606; *Murphy v. Nowak* (Ill. 1906), 79 N.E. 112, 117. Here again we have a general principle of common law, reflecting the interest of protecting competition against restraints.

Pacific cites *Rudd-Melikian Inc. v. Merritt* (CA 6, 1960), 282 F.2d 924. There the court makes clear that its opinion is based upon the principle that

> "if a federal district judge has reached a permissible conclusion upon a question of local law [Kentucky], the Court of Appeals should not reverse, even though it may think the law should be otherwise." (*Id.* at 929)

Pacific does not gainsay the controlling effect of these bylaws; what it desires is that this Court adopt a different interpretation of them.

Pacific makes a partial quotation from one letter (Pet. 14), cited two additional times (Pet. 18, 26) without stating that it is a letter from an advertising manager of National not shown to have any personal knowledge of facts nor any competency to formulate the conclusions of law expressed herein. Even if the letter were in the form of an affidavit, it would have been improper to consider it on a motion for summary judgment because it is purely conclusionary. *State of Washington v. Maricopa County* (CA-9, 1944), 143 F.2d 871, *cert. den.*, 327 U.S. 799 (1946).

An Additional Basis of the Court's Decision Is Common-Law Estoppel Barring a Licensee from Setting Up Claims Adverse to Its Licensor

The Court of Appeals, as well as the district court, took the position that Pacific, as one of the member-licensees, could not assert any claim of exclusiveness against National, its licensor (318 F.2d at 908). The principle of common law, that a licensee of a trademark or trade name may not set up any adverse claim to it as against the licensor is universally applied. In addition to the authorities cited by the Court of Appeals (*id.* at 909), are: *Golden City Restaurant, Inc. v. Pike* (CA-DC, 1957), 246 F.2d 684; *Smith v. Dental Products Co.* (CA-7), 140 F.2d 140, 148, *cert. den.*, 322 U.S. 743 (1944); *Vermont Maple Sugar Co. v. Johnson Maple Sugar Co.* (D. Vt. 1921), 272 Fed. 478. No authority to the contrary is cited by Pacific.

A Third Alternative Common-Law Basis for the Decision of the Court of Appeals Is Estoppel *In Pais*

The Court of Appeals stated:

> "*Entirely apart from the Lanham Act*, estoppel *in pais* is raised by National against Pacific. Pacific represented to the United States Patent Office that the word 'Co-Op' belonged to National. (R. 2880; 8890

8891; 9074)." (*Id.* at 906) (Italics ours, except for "*in pais*")

In addition, state registrations in Idaho, Washington and Oregon were made from 1935 to 1940 (R. 930-932), while Mr. Baker, the manager of Pacific, was a director of National (R. 9023-9024; 1457). Each of these registrations recites essentially that National is the exclusive owner of the trademark and has the exclusive right to its use (R. 2633-2666; 2667-2675; 2676-2681).

On these stipulated facts, estoppel *in pais* applies as a matter of common law. *Holly Hill Citrus Growers' Ass'n v. Holly Hill Fruit Products, Inc.* (CA-5, 1935), 75 F.2d 13; see also *Engelhard Industries, Inc. v. Research Instruments Corp., Inc.* (S.D. Calif. 1961), 196 F.Supp. 138).

The Lanham Act (15 U.S.C. § 1051, *et seq.*) Affords Further Basis for the Decision of the Court of Appeals

The Court of Appeals affirmed the district court in holding that the Lanham Act bars Pacific's recovery (318 F.2d at 906).

Pacific has admitted that the trademark "CO-OP" is incontestable under the Lanham Act (R. 272-273; 288; 1316; 8925). Title 15, U.S.C. § 1057(b) provides that registration of a trademark shall "be prima facie evidence . . . of registrant's *exclusive right to use the mark in commerce* . . ." (Italics ours). Section 1065 provides (with immaterial exceptions) that after five years' use and conformity with the statute with respect to the filing of required affidavits, ". . . the right of the registrant . . . shall be incontestable."

The effect of these provisions is to bar Pacific's claim of exclusive rights to use the trademark against National, leaving National free to have FUCE and its other members use its trademark anywhere. For cases recognizing the ex-

clusive nature of the registrant's right to the trademark under these provisions, see *Curtis Stephens Embry Co. v. Pic-Tek-Toe Shake Stop Co.* (CA 8, 1952), 199 F.2d 407; *Bellas, Inc. v. Youngbusband* (CA 9, 1953), 204 F.2d 269.

Additionally, the provision concerning "related companies," as defined in 15 USC § 1127, yields the same result. Pacific concedes in its petition that it is a "related company" of National. Therefore, § 1055 squarely applies:

> "Where a registered mark . . . is or may be used legitimately by related companies, such use shall inure to the benefit of the registrant . . ."

Pacific misses the point of the statute in stating that it "was not applicable to bar claims of 'related companies' within the corporate complex." If the use of National's marks by the express terms of the statute inures to National, Pacific obviously is not in a position to assert rights to their exclusive use in the Pacific Northwest, as it claims. Again, this leaves National free to permit their use by FUCE and any of its other members, anywhere.

On the subject of related companies, Pacific cites *Taussig v. Wellington Fund, Inc.* (D. Del. 1960), 187 F.Supp. 479. The decision of the Court of Appeals in that case, not referred to by Pacific, is reported in CA 3, 313 F.2d 472, *cert. den.*, 374 U.S. 806, 83 S.Ct. 1695 (1963). The suit involved an injunction against the use of the corporate words "Wellington" upon the basis of the common law of unfair competition and the Investment Company Act of 1940. The decision of the Court of Appeals does not refer to the Lanham Act nor to any registered trademark.

CONCLUSION

For the reasons aforesaid, the Petition for a Writ of Certiorari should be denied.

Respectfully submitted.

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No. 545

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

PACIFIC SUPPLY COOPERATIVE,
Petitioner,

v.

FARMERS UNION CENTRAL EXCHANGE, INCORPORATED, and NATIONAL COOPERATIVES, INC.,
Respondents.

ANSWER OF NATIONAL COOPERATIVES, INC. TO PETITION FOR WRIT OF CERTIORARI

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ANSWER OF NATIONAL COOPERATIVES, INC. TO PETITION FOR WRIT OF CERTIORARI

To The Honorable The Chief Justice and the Associate Justices of the Supreme Court of the United States:

National Cooperatives, Inc., one of the respondents to the petition for writ of certiorari to the United States Court of Appeals for the Ninth Circuit, opposes the granting of the petition.

OFFICIAL REPORTS

Petitioner's brief omits citation of the District Court's oral decision denying amendment of the Third Party Complaint. Such oral ruling is set forth as Appendix A.

Petitioner's brief also omits citation of portions of the District Court's oral decision determining the issue of

exclusiveness and pendent unfair competition, as to National, as a matter of law. Such omitted ruling is set forth as Appendix A-1.

QUESTIONS FOR REVIEW

The "Questions Involved," as presented by the petition, do not arise out of the record of this case, and do not present, with accuracy, brevity, and clearness, the matters essential to a ready and adequate understanding of the case. On this ground alone, the Court has sufficient reason to deny the petition (Court Rule 23, (4)).

Stripped of arguments and unsupported assumptions of fact, Petitioner is actually asking this Court to determine:

1. Whether there existed such a genuine issue of fact on the claimed exclusive license, as to render the District Court's granting, and affirmance by the Court of Appeals, of summary judgment and disposition of such claim, as an issue of law, a denial of due process.

2. Whether dismissal by the District Court of the claims of trade mark infringement and pendent unfair competition, and affirmance thereof by the Court of Appeals, was justified under the Lanham Trademark Act.

3. Whether dismissal of National on the issue of inducement to breach of contract by the District Court under Rule 41(b), and affirmance thereof by the Court of Appeals, constituted denial of due process of law.

STATEMENT OF THE CASE

Respondent, National, cannot accept petitioner's statement as full, fair or correct. Stipulated facts are ignored; factual references are unsupported by the record; there are vital and essential omissions; self serving documents, striken from the record for violations of the Court's direc-

tives, are cited as factual references; and argument and inference are mixed with factual statement.

Faced with this same situation, the Court of Appeals stated:

> "Appellee National, critical of appellant's factual statement, lists certain stipulated facts, quoting the record and citing transcript page numbers for each statement made. Pacific denies that such stipulated facts are 'controlling' (Reply Br. P. 3) (as they are characterized by National), but does not dispute in any way the correctness of the stipulated facts so referred to. For that reason, we adopt such statement with its references to the record:—" (Pet. A4).

A. SUBSTANTIVE

Stipulated facts on organization, history, use of trademarks and dealings of the parties are set forth in full in the record (R 1451-1460; 9010-9028; 9208-9210). Relevant minutes and by-laws of National are stipulated (R 742-794). Relevant minutes of respondent, Farmers Union Central Exchange, and petitioner are stipulated (R 795-827; 828-866). Trademark records are stipulated (R 919-934; 1709-3038), among which are the facts that Nation ". . . is the record owner of Forty-Two (42) United States Trademark registrations including 'Co-op,' 'Capri,' 'Universal' and others" (R 919-929); and as to those trademarks assigned, the record owner of ". . . all right, title and interest in and to said marks, the registration thereof, and the good will of the business symbolized thereby;" (R 929) and the owner of State Trademark registrations covering "Co-op," including fifteen (15) Registrations in the states of Idaho, Oregon and Washington (R 930-932).

Petitioner has conceded, there is no formal agreement giving any exclusive license (R 9030). Petitioner has conceded incontestability of trademarks (R 8925; 9266). Pe-

titioner has also conceded, there is no agreement for division of territory (R 8886-8887).

B. PROCEDURAL

Petitioner (Pacific), whose General Manager was fully informed of the affairs of National as a member of the Board of Directors of National since 1935, filed a forty-five (45) page Complaint against Farmers Union Central Exchange (FUCE) on January 30, 1959, with twenty-seven (27) additional pages of appended exhibits (R 1). In denying FUCE's Motion to Dismiss the Complaint on the ground of prolixity, Judge Lindberg ruled that FUCE could answer despite the prolixity, indicating other District Court Judges might well grant the Motion (R 9404).

Pacific and FUCE engaged in discovery procedures until November 13, 1959, when Pacific filed a Supplemental Complaint (R 193). FUCE then filed a Motion For Partial Summary Judgment (R 220) which, in part, was granted failing the joinder of National as owner of the trademarks (R 455).

National was not charged with any wrong in either the Complaint or the Supplemental Complaint (R 1; 193).

Pacific filed a Third Party Complaint joining National on September 28, 1960. It purports to incorporate by reference the aforementioned criticized Complaint and the Supplemental Complaint, in toto (R 459).

National filed a "Notice of Possible Protracted Case," and requested a preliminary conference on October 28, 1960 (R 550). A preliminary pre-trial conference was had on November 22, 1960, following which the Court ordered, in part: a preliminary pre-trial conference; all discovery proceedings placed under the control of the Court; and the preparation of, and filing of a clear and concise statement of contentions upon the issue of the alleged exclusive right and license claimed by Pacific (R 570).

Two days were then devoted to a pre-trial conference on February 8, and 9, 1961 (R 8998). At this conference, the Court reserved its right under the existing order,

> "to continue to supervise further discovery proceedings, and none will be allowed until the issues are clarified and a motion made and a showing of the parties who *desired* further discovery. * * * " (R 8999)

None of the parties made a motion for, or a showing in support of discovery (R 8998-9007).

A third pre-trial conference was held on April 21, 1961, (R 9008-9087) during which the Court defined the basic issues (9082). After denying Pacific's request to tack alleged prior use of certain trademarks, the Court also set May 18, and 19, 1961, as the time for the fourth pre-trial conference, and October 30, 1961, for trial (R 9083-9085); it being agreed by counsel that National's records would be made available for inspection and copying in the interim. No other request for discovery was made (R 9008-9087).

Counsel for FUCE, Pacific and National spent four (4) days in Albert Lea, Minnesota, reviewing National's records on May 2-5, 1961, where, in the language of Pacific's counsel, Pacific

> "was given a full and, I think, a rather liberal access to the records of National * * *." (R 9101)

The fourth pre-trial conference was held for two (2) days commencing on May 18, 1961 (R 9088-9128). At that meeting, counsel agreed upon procedures for the final framing of issues, and counsel were directed to meet on June 14, and 15, 1961, to effect these procedures (R 9099-9100). In addition, the Court scheduled the fifth pre-trial conference for July 6, and 7, 1961 (R 9127-9128). No formal request for discovery was made (R 9088-9128).

Counsel met in Yakima, Washington, on direction of the Court, and entered into a plurality of stipulations (R 9132-9135). These stipulations included the minutes of National and its by-laws (R 742-794; 9642). All articles and by-laws of National had been produced for Pacific on June 14, and 15, 1961, pursuant to agreement (R 9089; 9133). Certified copies of articles with all amendments were secured by National for Pacific's benefit, together with printed copies of by-laws, and were available and reviewed for the stipulation (R 9628-9629).

Following this meeting, the Court held the scheduled fifth pre-trial conference, (R-9129-9283) where additional stipulations were entered into (R 9208-9209).

During the course of the July pre-trial conference, Pacific suggested it might want "a few admissions," or "to produce a few things" or "little things," and the court said:

> "* * * I think the way was left open for any of the parties who wanted discovery to make an application and a further showing of what they wanted to get, and if they made the application I could tell if it is advisable." (R 9231-9233)

The Court also suggested a time subsequent to August 11, 1961, for the sixth pre-trial conference. This conference was subsequently set to commence on August 24, 1961 (R 9284).

Pacific failed in compliance between July 6, 1961, and August 24, 1961, with the Court order to file a statement of relevancy and materiality of exhibits, and the non-complying document was striken (R 1244).

Pacific also violated the Court order staying discovery proceedings by serving and filing on August 7, 1961, without application for or leave of Court obtained for such discovery procedure, a one hundred fourteen (114) page Request For Admissions of Facts and Genuineness of

Documents, denominated as pursuant to Rule 36, F.R. C.P. (R 1069-1183). The demand was stricken (R 1244).

The defendants filed motions for the advance Determination of Legal Issues. The need for such determination had been indicated by counsel and the Court (R 9195-9197).

During the pre-trial conference commencing on August 24, 1961, the Court heard the motions of Pacific, FUCE and National (R 9284-9642). The hearing, and the entry of the Order and Judgment on the motions was on February 21, 1962 (R 9643-9696). Pursuant to, and in accordance with Rule 41(b), 52(a) and 54(b), F.R.C.P., the Court:

> "* * * ascertained that the facts existing without substantial controversy are set forth in the filed stipulations of the parties, in the agreed statements of facts in the record and in the filed admissions. * * *" (R 1247)

Having adopted these admitted facts of the parties, the Court further found and ruled: (R 1247-1250)

(As to the Issue of Inducement to Breach of Contract)

1. "* * * the Third Party Complaint is inadequate to charge the Third Party Defendant with any claim on account thereof; * * *"
2. "* * * the Plaintiff's Statement of Issues and Contentions made in the course of pre-trial proceedings are inadequate to state any claim against the Third Party Defendant * * *"
3. "* * * Plaintiff's Amended Third Party Complaint offered in the course of pre-trial proceedings and denied, is inadequate to state any claim against Third Party Defendant * * *"
4. "* * * there is no genuine issue of material fact thereon; * * *"

5. "* * * the General Manager and Secretary of Plaintiff corporation has from the time of inception of this action and before, been the president of the Third Party Defendant corporation and matters relating to such issues of inducement to breach, fraud, aiding, abetting, and conspiracy, were known to Plaintiff at the time of the original Complaint and the Supplemental Complaint and before the filing of the Third Party Complaint and at all times during pre-trial proceedings and conferences; * * *"

6. "* * * assertions made on behalf of Plaintiff on oral motion for leave to amend at the time of hearing herein, which motion is hereby denied, are inconsistent with the record as made by Plaintiff by its pleadings, its Statement of Contentions and its representations in connection with pre-trial proceedings herein."

(As to the Issue of Exclusiveness)

7. "* * * the Third Party Defendant is the owner of all trademarks and tradenames in issue; * * *"

8. "* * * Plaintiff is a licensee of Third Party Defendant; * * *"

9. "* * * as such a licensee Plaintiff cannot acquire adverse rights against its licensor; * * *"

10. "* * * the rights of Third Party Defendant are incontestable under the Lanham Act; * * *"

11. "* * * Plaintiff has only such rights in trademarks and tradenames of the Third Party Defendant as are granted by the Articles and By-Laws of Third Party Defendant which grant to all members of Third Party Defendant equal and non-exclusive rights; * * *"

12. "* * * Plaintiff has failed to produce or show in the course of pre-trial proceedings any matter which would vary or change such non-exclusive rights or

raise any genuine issue of material facts thereon; * * *"

13. "* * * the issues of Trademark and Tradename Infringement and Pendent Unfair Competition or Pendent Unfair Trading, are governed by the Lanham Act."

(As to 54(b))

14. "* * * that judgment should be entered immediately as to one or more, but fewer than all, of the claims or parties * * *"

15. "* * * that there is no just reason for delay; * * *"

16. "* * * that there is no genuine issue of material fact as to any of the matters covered by such judgment."

Pursuant to such findings and rulings, the Court adjudicated:

1. "* * * Third Party Defendant's Motion to Dismiss under Rule 41(b) be and the same is granted as to, and Third Party Defendant is dismissed as to, the claims of the Plaintiff based upon inducement to breach of contract, fraud, aiding and abetting and conspiracy and Third Party Defendant's Motion to Determine Issue of Inducement of Breach and for Dismissal of Claims based thereon be and the same is hereby granted, * * *"

2. "* * * Third Party Defendant's Motion to Determine Issue of Exclusiveness and for Dismissal of Claims Based Thereon be and the same is hereby granted, and Third Party Defendant's Motion to Determine Issue of Trademark Infringment and Pendent Unfair Competition and for Dismissal of Claims Based Thereon be, and the same is hereby granted."

3. "* * * It is Ordered and Adjudged that the Third Party Complaint be and the same is hereby dismissed with prejudice * * *"

Thus, this Honorable Court is being asked to consider on petition an affirmed Judgment and Order dismissing National after at least four (4) formal hearings on motions, (R 455; 570; 1242-1250; 9404) the expenditure of almost three weeks time in seven (7) pre-trial conferences or meetings (R 570; 1242), and the accumulation of over Nine Thousand Seven Hundred (9,700) pages of record.

ARGUMENT

Grounds of Opposition

The decision of The Court of Appeals is not in conflict with the decision of another Court of Appeals on the same matter; said Court has not decided an important question of federal law which has not been, but should be, settled by this Court; said Court has not decided a federal question in a way in conflict with applicable decisions of this Court; nor has said Court departed from the accepted or usual course of judicial proceedings or sanctioned such a departure by the District Court, as to call for an exercise of this Court's power of supervision.

The decisions of the District Court and the Court of Appeals are fully supported by law and facts requiring denial of certiorari. Such decisions are supported by principles of general law, including contract law and estoppel. These principles of general law, as applied to the facts of this particular case, so affect considerations as to render any decision of this Court of no ultimate general or broad application.

A. NO CONFLICT

Contrary to the petitioner's erroneous contention and misplaced reliance, the decision of the Court of Appeals is not in conflict with the Court of Appeals for the Second Circuit in *Huber Baking Company* v. *Stroehmann Bros.*,

CA2, 1958, 252 F.2d 945. The Huber case is clearly distinguishable, and has been distinguished, *on the facts*, by the Court of Appeals and by the respondents.

The petitioner misapplied or misinterpreted the case in seven instances in its brief before the Court of Appeals. However, the facts were distinguished in National's brief, page 53, and in Farmers Union Central Exchange's brief. Notwithstanding the distinguishing facts and the inapplicability of the case, the petitioner relied on *Huber Baking Company* v. *Stroehmann Bros.* in its Reply Briefs.

In its well-considered opinion, the Court of Appeals herein, after noting that the *Huber Case* expressed an exception to the general rule, made a careful analytical comparison of the facts of the two cases. The itemized differences in the facts, broadly and specifically, distinguish the facts of the two cases beyond a doubt. (Pet. A28-33) Thus, the determination of the petitioner's misplaced reliance upon; the lack of conflict with; and the complete inapplicability of the *Huber Case* to any facet of this petition is clearly established.

B. NO IMPORTANT FEDERAL QUESTION

The Court of Appeals has not decided an important question of federal law which has not been, but should be, settled by this Court.

The petitioner misrepresents to this Court that the Courts below misinterpreted and misapplied certain provisions of the Lanham Act. The ever-shifting arguments and contentions of the petitioner, did not raise the questions, as presented herein, before the District Court. On the contrary, the petitioner stipulated that certain trademarks had become incontestable under the Lanham Act (R. 272-273; 288; 1316; 8925; 9266). Therefore, the petitioner should not now be heard to argue "title", a

question of state, not federal law, under the guise of the Lanham Act.

The petitioner erroneously suggests that, because Section 15 was not raised in *Huber Baking Company* v. *Stroehmann Bros.*, supra, there is a lack of color of merit to the holding of the Courts below in this regard. What the petitioner fails to appreciate, is the fact that the registration there in issue was not elligible for a claim under Section 15. In the *Huber Case*, the registration was issued under the provisions of the 1905 Act; was not republished under the provisions of Section 12(c) of the Lanham Act (15 U.S.C. 1062(c)) until March 14, 1950; was involved in litigation less than three years later (*Huber Baking Company* v. *Stroehmann Bros. Company*, U.S.D.C., S.D. N.Y. Feb. 27, 1953, 114 F. Supp. 411); and it was barred from a claim of incontestability under Section 15(2) of the Lanham Act (15 U.S.C. 1065(2)).

Aside from the petitioner's erroneous "incontestable" argument, it also claims rights through use by its predecessors prior to the organization of National. Such a claim is factitious and without merit where, as here, petitioner stipulated that its predecessors had obtained their trademarked goods from National's predecessors (R 1451-1453; 9010-9015). It was upon this basis that the District Court denied petitioner's claim to prior use (R 9083-9085).

The petitioner also fails to recognize that Section 32 of the Lanham Act (15 U.S.C. 1114(1)) limits a cause for trademark infringement "* * * to a civil action by the *registrant* for any or all of the remedies herein provided * * *" (emphasis added). Where, as here, the petitioner stipulated that National is the record owner of the trademark registrations in issue, (R 919-929; 930-932) the Courts below had no statutory alternative to the dismissal of the charges that National was infringing its own trademarks.

The petitioner now urges that this Court should clarify the rights in the "related company" and the "collective" mark provisions of the Lanham Act. This "turnabout" is surprising in view of the petitioner's representation to the District Court that, ". . . We are not challenging National's right to the collective mark, to continue to control the collective mark. We have no controversy with National, whatsoever" (R 8899).

Other than the fact that a related company's use inures to the benefit of the registrant, as ruled by the Court of Appeals (Pet. A 26), no federal question is involved. Moreover, the particular facts of this case, as stipulated by the petitioner and established in the ninety seven hundred (9,700) pages of record, could never serve as a basis for a decision which would be a guide or precedent to the business community.

That the decision of the Court of Appeals was not in conflict with applicable decisions of this Court, warrants only passing affirmance. This point was not argued or presented in the petition.

C. SUPERVISION NOT REQUIRED

The Court of Appeals has not departed from accepted or usual course of judicial proceedings or sanctioned such departure by the District Court, as to call for an exercise of this court's power of supervision.

Petitioner, by asserting the contrary, undertakes the burden to establish affirmatively:

1. The determination and dismissal of the issue of exclusiveness was such a departure as to constitute denial of due process;

2. The denial of amendment and dismissal of the third party complaint was such a departure as to constitute denial of due process.

Neither by citation of fact or law, has petitioner established either proposition.

I. DETERMINATION AND DISMISSAL OF ISSUE OF EXCLUSIVENESS

Petitioner's assertion of exclusive rights, both as to origin and territory, has shifted and changed throughout these proceedings.

Initially, exclusive rights in the seven states of Utah, Nevada, California, Montana, Idaho, Oregon and Washington were boldly asserted (R 4). Later, Wyoming was added (R 307). Exclusive claims as to Utah, Nevada and California fell when stipulated facts established competition in those areas (R 9208-9210). Claims as to exclusiveness were further diluted by stipulation showing sales records of Farmers Union Central Exchange of both trademarked goods and petroleum products in Montana since 1939, (R 883; 906); in Idaho since 1943, (R 875; 876; 895; 896) and in Wyoming since 1943 (R 868; 886). Thus, assertions of petitioner in this court are now made only as to Washington, Oregon and Idaho. However, in earlier candor, petitioner conceded there never has been any agreement for division of territory (R 8886). Petitioner's assertion of exclusiveness confuses lack of competition resulting from economic barriers with exclusive rights at law.

Initially, exclusive rights were based on bold assertion of "grant." (R 4). Later, petitioner conceded there was no grant or formal agreement (R 9030). Still later, it was contended all rights "* * * merged into and became a part of the Caldwell Agreement * * *" (R 1391). As the Court of Appeals demonstrates, (Pet. A18-21, A28) the Caldwell Agreement establishes no exclusive trademark right in petitioner, but, rather, creates and permits competing marketing organizations within the area claimed by petitioner. Finally, at the late date of the Pe-

tition herein, petitioner bases its claims to exclusive rights upon a " * * * course of conduct over a 20-year period. * * * " (Pet. 17). No factual reference is given for such assertion. No factual reference is given for petitioner's further assertion, that it had presented " * * * cogent evidence in support of its claim that National by a consistent course of conduct had recognized Pacific's claim to exclusive use of trademarks." Only one factual citation to an uncontrolling letter is given in argument upon this point. This same letter, coupled with other references, led the Court of Appeals to its conclusion, " * * * that right was never recognized by any consistent course of conduct between the parties to this litigation—nor any unequivocal acknowledgement in writing by appellees that appellant's position was correct. The opposite occurred. Thus, no exclusive right was created, even impliedly, by action of the parties" (Pet. A 33).

The District Court found that the articles and by-laws of National constitute a contract, a point conceded by petitioner (R 9481; App B. 58). In the District Court, petitioner sought to maintain that this contract gave petitioner exclusive rights (R 9481). From inception in 1935, the by-laws provided for the use of trademarks by members in "competing territory" giving equal and non-exclusive rights. The last amendment of by-laws in 1946 provides for use by all members of trademarks without limitation of territory of such use. The District Court and the Court of Appeals quite properly held that the by-laws of National grant non-exclusive rights to all members, to use its trademarks anywhere. *Stevenot* v. *Norberg*, CA 9, 1954, 210 F. 2d 615.

Apart from the Lanham Act, petitioner represented to the United States Patent Office that the trademark Co-op belonged to National (R 2880; 8890-8891; 9074). Under theory of evidential estoppel or estoppel in pais, petitioner cannot challenge the right of National to control the use

of the trademark. This position is recognized by the Court of Appeals, citing *Holly Hill Citrus Growers' Assn.* v. *Holly Hill Fruit Products, Inc.*, CA 5, 1935, 75 F. 2d 12.

Petitioner states in this court,

> "The only equality of membership in National among its 26 regional cooperative members is uniformity of inequality" (Pet. 6).

Yet, Petitioner has factually stipulated,

> "The membership of National is now composed of 26 regional wholesale cooperatives with equal rights * * *" (R 1454; 9016-9017).

The District Court, after most patient consideration and every opportunity to petitioner to show any grounds for its claim of exclusiveness, concluded that it had failed to produce or show in the course of pre-trial proceedings any matter which would vary or change non-exclusive rights, or raise any genuine issue of material fact. The Court of Appeals, after careful consideration, has affirmed such conclusion. *Holcomb* v. *Aetna Life Insurance Co.* CA 10, 1958, 255 F. 2d. 577; Cert. den. 1958, 358 U.S. 879, 79 S. Ct. 118; *Appalachian Power Company* v. *American Institute of Certified Public Accountants*, 1959, 80 S. Ct. 16, 4 L. Ed. (2d) 30.

II. DENIAL OF AMENDMENT AND DISMISSAL OF THIRD PARTY COMPLAINT

In argument upon this subject, petitioner refers to amendment proposed July 6, 1961 (R 911). This amendment the court denied, with the following reservation:

> "* * * I think you might do this in order to complete the record, if you feel there is something else when the pre-trial orders are completed that hasn't been incorporated as an issue in the case, that you may submit it and it may be ruled on again.

MR. SHERWOOD: At the time of pre-trial?
THE COURT: So the motion to amend is denied." (R 9281)

Thereafter, the petitioner did not renew such motion in the course of the pre-trial proceedings of August 24, 1961, at which the court ruled upon the issue of exclusiveness and pendent unfair competition (R 9492-9495; 9500-9508; 9517). It rested such argument upon the third party complaint.

After such rulings, petitioner was asked to state if its pleadings were sufficient to stand against National on the issue of inducement to breach of contract. Counsel for petitioner quite frankly stated that the only thing National had done was to furnish goods to Farmers Union Central Exchange (R 9529-9530).

Despite such admission, petitioner renewed its motion for leave to amend on the issue of inducement to breach of contract (R 9549; 9551).

It stated that it was content to rest on the allegations of the proposed third party complaint (R 9606; 9608).

Upon such record, the District Court ruled as to the issue of inducement to breach of contract that the Third Party Complaint was inadequate to state any claim against National; Plaintiff's Statements and Contentions and proposed amendment in course of pre-trial proceedings were inadequate to state any claim against National; no genuine issue of fact existed. The Court granted National's motion to dismiss under Rule 41(b) upon the issue of inducement to breach and the motion of National to determine such issue and for dismissal of claims based thereon (R 1248-1256).

The record of the District Court, affirmed by the Court of Appeals, shows patient and careful consideration with full opportunity to petitioner to frame the issues properly.

There has been no departure from the accepted or usual course of judicial proceedings to call for exercise of this court's power of supervision. *Link* v. *Wabash Railroad Company*, 1962, 370 U.S. 626, 82 S. Ct. 1386.

D. PETITIONER'S NON-COMPLIANCE

Petitioner, in the District Court, disregarded admonitions and orders of the court resulting in the striking of two documents, (R 1244) and the invoking of application of Rule 41(b) (R 1248-1250). The motion could, and should have been granted as to all matters save for prior ruling on disposition of the issue of exclusiveness (R 9626; 9628). Petitioner's violations of Rule 18(e) and (i) of the Court of Appeals brought severe criticism from that court (Pet. A 3).

The petition fails to present, with accuracy, brevity, and clearness, the matters essential to a ready and adequate understanding of the case.

For such continuing conduct, there is reason to deny the petition (Court Rule 23, (4)).

CONCLUSION

The District Court and the affirming Court of Appeals rendered their decisions only after a careful and complete consideration of a voluminous record. The petitioner has not shown wherein the courts below erred. None of the considerations stated in this Court's Rule 19 for granting a review on writ of certiorari are supported by the record. There are no special and important reasons which should move this Court to exercise its descretion to review this case. The petition should be denied.

Respectfully,

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and

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APPENDIX A

R 9281

THE COURT: Well, I think the time has come when we have to start cutting down rather than enlarging the issues in a case of this kind, so I do think that the pre-trial order, when finally framed, will incorporate all the issues, and I feel that in going over these, I haven't gone over them in detail recently as much as you gentlemen have, but I think that there is nothing to be added by permitting the amendment and I feel that the amendment should be denied. The record is made. I think you might do this in order to complete the record, if you feel there is something else when the pre-trial orders are completed that hasn't been incorporated as an issue in the case, that you may submit it and it may be ruled on again.

MR. SHERWOOD: At the time of pre-trial?

THE COURT: So the motion to amend is denied.

APPENDIX A-1

R 9508

MR. TULLAR: Do I understand, your Honor, that you considered you ruled as dismissing Pacific's claims of trademark infringement and of unfair competition against National?

THE COURT: Not unfair competition, but trademark infringement. In other words, my holding was that National was the owner of the mark, the registrant, that it was *incontestability*, that the rights of FUCE and Pacific were equal to the use of the mark but that did not prevent Pacific from maintaining an action against anyone who would unfairly compete. Now, if that is, and that was, the purpose of my ruling, I don't think that infringement becomes a material issue. I think if they have no right except as a licensee I *held* that they could not infringe against you, or you couldn't infringe against them, I should say. The licensor is tantamount to a landlord or landowner against whom no adverse possession or possessive rights could be obtained, and therefore there would be no infringement, I mean, that is the intent of my holding, that is what I intended to express. If I didn't, I am sorry.

R 9517

THE COURT: It seems to me as though under the rulings that I have made in connection with the exclusiveness feature that it has eliminated the infringement and pendant unfair competition as a statutory cause of action.

MR. SHERWOOD: As based on the Lanham Act.

THE COURT: That is, as I understood, was my ruling.